

THE TIMES

IMF loan terms eased and Britain sees early end to its need for credit

Terms of Britain's loan from the International Monetary Fund have been significantly eased according to a new letter of intent published yesterday. The rate of growth in money supply this year, however, has been appreciably understated

because of "misclassification" of certain public sector deposits, the Bank of England has disclosed; while a secret Bank report published in the magazine "Tribune" sees no way of reducing unemployment (Page 19).

Freer hand for Chancellor

By David Blake

The terms of Britain's loan from the International Monetary Fund have been almost eased out of existence for next year and there is now a strong probability that the United Kingdom will choose to end its standby arrangement earlier than planned, possibly next May.

A new Letter of Intent to the IMF sent by Mr Healey on Wednesday, gives no ceiling at all for Domestic Credit Expansion for next financial year and merely says that the Chancellor "expects" that Public Borrowing would be around £3,600m in 1977-78. This would leave room for tax cuts of around £1,800m in the spring Budget.

The most important new element in the Letter, which has been agreed with the team of Fund officials who recently visited London, and is expected to receive formal approval from the Fund's board in the second week of January, is that the ceiling on Domestic Credit Expansion (DCE) of £7,000m for this year has been extended to take in the first quarter of 1978-79. An estimate of £6,000m for DCE for next year has been dropped.

The effect of this will be to postpone the setting of the key elements of financial policy until after the Chancellor has introduced his spring Budget, thus ensuring that the Budget will be written with a freer hand than would otherwise be the case.

The Fund will then hold detailed consultations in May, during which there may be an agreement on a DCE limit for the rest of next year. The most likely, though certainly not the inevitable, outcome of these

will be to extend this year's DCE limit into 1978-79 because DCE, which represents the amount of new credit being generated within the country, has been well below the agreed limit so far this year, at just under £1,500m.

Even if it grows more rapidly from now on, the Chancellor is likely to have no trouble in meeting all his needs for the remainder of this year and the first quarter of next financial year out of the £6,000m remaining. Even if he does not, the new pledge is merely that he "expects" to keep DCE within this figure, with no element of a promise or of a firm ceiling.

Indeed, the downgrading of the status of the figures for both Public Borrowing and DCE is typical of the changes which have been made in the statement of the Government's various financial targets.

The letter says that growth in the money supply "was forecast to be between 9 and 13 per cent this year, but carefully refrains from saying that this is still the case." Some ministers and officials now expect it to overshoot slightly, but are not worried by this, since they feel that they have shown in recent weeks that

Text of letter, page 18

Money growth error corrected

By John Whitmore

It became clear yesterday that the rate of growth in the money supply so far this year has been appreciably understated.

The latest figures for the banking month to mid-November show that sterling M3, the broad-based definition of money supply, grew by 3 per cent, making the annualized rate of growth over the first seven months of the present financial year 13½ per cent.

Although this remains slightly above the Government's target of no more than 12 per cent growth over the full 12 months, the annualized rate has dropped back from the 14½ per cent figure at the six-month stage.

The Bank of England disc-

losed yesterday, however, that the previously published figures have understated the rate of growth. This occurred because certain public sector deposits had been misclassified in banking returns as interbank deposits and as a result were not counted in the M3 figures.

Precisely how this happened is not clear and, adding to the mystery, it appears that the authorities would not normally have expected this money to have been held in the form of bank deposits.

Although the authorities are coy about revealing more details, they did stress that there was no question of malpractice.

However, had these deposits, probably amounting to about £400m, been included in the money supply statistics, the rate of growth in sterling M3 for this year would have been 8½ per cent rather than the published 7½ per cent. That would have meant the money supply was rising at an annualized rate nearer 15 per cent.

Although the authorities now recognize that the error has occurred, they are not too perturbed about it in terms of controlling monetary growth. The deposits are expected to be unwound by early January, and the full year outcome for monetary growth is not expected to be any different from what it would have been had these deposits never been placed in the banking system in the first place.

Reuter

Move to get high-flyers into industry

By Diana Geddes

Education Correspondent

The Government has asked five polytechnics to set up special five-year degree courses in manufacturing for high-fliers in an attempt to bring British industrialists up to the standards of their elite European counterparts.

Letters have been sent by the Department of Education and Science to the North East, London, Harfield, Lanchester, Portsmouth, and Sheffield polytechnics asking them to consider developing courses "of very high quality with a pronounced orientation to a manufacturing industry."

The Government hopes that the courses will be ready to start in 1979. Students would be eligible for the Government's new industrial scholarship scheme, due to begin next year under which those of exceptional ability will be awarded scholarships, half paid by the Government and half by the sponsoring company, in addition to their normal student grant.

The Government's reply last September to the third report of the Commons Select Committee on Science and Technology emphasized that a better supply of well qualified and well motivated scientists, engineers and technologists was essential.

The main difficulty was how to attract more students of higher ability and motivation into engineering courses, the letter says. The new financial incentives should help, but the courses would have to set new objectives for bright pupils.

While the main component of such a course would be engineering studies to honours degree level, the aim would be to incorporate carefully selected aspects of other subjects, such as business studies, management, and possibly a modern language.

Firemen will seek to win a better offer

Leaders of the Fire Brigades Union are seeking to improve the timetable attached to the local authorities' pay formula. At a meeting on Monday they are expected to press the employers for a bigger slice of a two-stage cash award next year. The meeting offers the first real hope of a settlement since the strike began. Page 10

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HOME NEWS

Firemen will concentrate efforts on winning concessions over phasing of employers' pay plan

By Donald Macintyre
Labour Reporter

Leaders of the Fire Brigades Union will press at negotiations on Monday for an improvement in the timetable attached to the local authorities' pay formula for firemen.

The meeting was arranged yesterday after informal talks between Mr Terence Parry, general secretary of the FBU, and Mr Brian Rusbridge, secretary of the employers' side of the National Joint Council for the Fire Service.

The union is expected to concentrate on trying to persuade the employers to modify their plan to implement the formula in two stages, November, 1978, and November, 1979.

Although the FBU remains committed to seeking more than 10 per cent from last month, its best chance of progress appears to rest with winning a bigger slice of the cash available next year.

A 12-point document drawn up by the employers and not

accepted by the executive on Wednesday provided for a staging that would give firemen average earnings of £89 a week in November, 1978, and £102 a week 12 months later.

So far the Government's guarantee that the formula would be protected applies only to that phasing plan. Informal consultations by both sides with the Home Office are expected over the weekend.

The fact that Monday's meeting is taking place at all, when there is no indication whatever of more than 10 per cent as an immediate increase, offers the first real ray of hope of began over four weeks ago.

Support from railmen: Train drivers leaders yesterday voted unanimously to give the striking firemen £100 more from their funds to "cushion" the Cabinet for "inflexibility" over the 10 per cent pay guideline.

Fewer fires: The number of fires in the London areas has fallen since the firemen's strike started five weeks ago to less than half that in a similar period last year (a Staff Report-

er writes). Yesterday, Mr Peter Darby, chief officer of the London Fire Brigade, praised public vigilance, but said a disaster might occur if a settlement was not reached quickly.

Mr Darby was speaking at a press conference called to deny reports that senior officers had cashed in on the strike and were earning large amounts in overtime and allowances. "We have not paid operational senior officers a penny more than their salary".

He said he hoped that the strike would be over before Christmas, which was a high-risk time. The number of fires in London during the strike had dropped greatly, but deaths from fires had been about average.

In the first four weeks of the strike, which started on November 14, there had been 4,212 calls referred through the police. As a result, 1,049 fires were attended by fire-fighting soldiers and 12 people had died in those outbreaks.

Parliamentary report, page 12

Whooping cough vaccine almost run out'

There is a shortage of whooping cough vaccine, the Department of Health and Social Security said yesterday, as an epidemic of the disease worsened.

Supplies had "virtually run out" because of the rush by parents to get children protected. Many parents had rejected the whooping cough element in the triple vaccine, which includes protection against diphtheria and tetanus, when their children were younger, after fears of possible brain damage.

"They are now waking up to the fact that their children are not protected," the department said.

There was plenty of triple vaccine, but not enough whooping cough vaccine, it said. However, a batch of 30,000 doses is due to complete safety tests today and should be available next week. A further 60,000 doses should be available shortly.

The vaccine shortage has come as the number of cases has exceeded 1,000 a week. The highest number in a week during the 1974-75 outbreak was about 550.

In the week ended December 9 the total was 1,200, the highest since the 1963-64 outbreak, when 1,300 cases in a week were recorded.

From a Staff Reporter

The Ainsworth family stepped back into the twentieth century yesterday after spending nine months emulating the life of Iron Age man in a wattle-and-daub settlement in the West Country.

Peter and Linda Ainsworth and their children, Peter, aged seven, Nicholas, five, and Robin, three, were to have spent 12 months in the settlement with 10 other volunteers but were forced to abandon the project three months early when Nicholas became ill.

The 15 were selected from

more than a thousand volunteers to take part in the project which is to be the subject of a BBC television series.

Only three concessions to modern life have been allowed to the primitives as they till the soil, tend their animals and trap game, sourced from the tools of barter.

They are construction, education for the children from three teacher volunteers, and modern medical advice and help.

The remaining volunteers continue to live in a thatched round house with a thatched roof and wattle-and-daub walls, as our ancestors did in 300 BC.

Lecturers to drop 30pc pay claim

University teachers are to withdraw their 30 per cent claim, the executive of the Association of University Teachers announced yesterday.

The association, which has 29,000 members, will ask for a 10 per cent salary increase from October 1 this year towards rectifying the anomaly of salaries falling behind those of teachers in further education.

secretary, and the NUM executive and the south Derbyshire area of the NUM.

The judge ordered a full hearing of the case in open court next Tuesday.

The Yorkshire, Kent and South Wales areas had sought temporary injunctions to prevent the NUM from implementing the executive's decision last week to allow area incentive schemes.

After a private hearing, Mr Justice Jupp dismissed an application for a temporary order against Mr Joseph Gormley, President of the National Union of Mineworkers, Mr Lawrence Daly, the general

secretary, and the NUM executive and the south Derbyshire area of the NUM.

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Lord Banks, disagreeing with the line taken by Liberal MPs on the national representation issue, even thought it related to the European Assembly and not United

Kingdom politics, provided a distinct Liberal issue on which to make a stand. The other two parties were not interested in fair representation and it would be a good point to make with electors that only stronger Liberal representation would bring sure progress towards a better system.

The peer who disagreed, Lord Simon, said that since no clear promise was written into the pact about proportional representation, and everyone knew what was going to happen in the Commons vote, he could not understand why the MPs were making such a fuss about the result.

Some Liberal MPs believe that the Government's pay policy will be under serious

stress at the time of the Liberal special assembly and so give an easily understood reason for rupture. The pact has always stood for fighting inflation, and if that collapsed the Liberals would have an easy exit.

In government circles unsurprised calm is affected. It is suggested that Mr Steel put his time limit on concluding the pact when he saw Mr Callaghan at the third time on Wednesday night, so the government assumed business as usual. But Mr Callaghan will doubtless have made his calculations.

The resolution to go before the special assembly will be drafted next week by the party's standing committee, its highest policy body. Amendments will be considered later.

MP wins appeal over theft conviction

Fergus Montgomery, Conservative MP for Altrincham and Sale, yesterday won an appeal at Inner London Crown Court Appeals Committee against his conviction for stealing two books worth £8.90.

The news was announced yesterday by Lord Bullock, chairman of the gallery's trustees,

at a draw of winning tickets for the two lotteries that have helped the Tate to reach its target towards the purchase price of £774,000.

After the draw, conducted by

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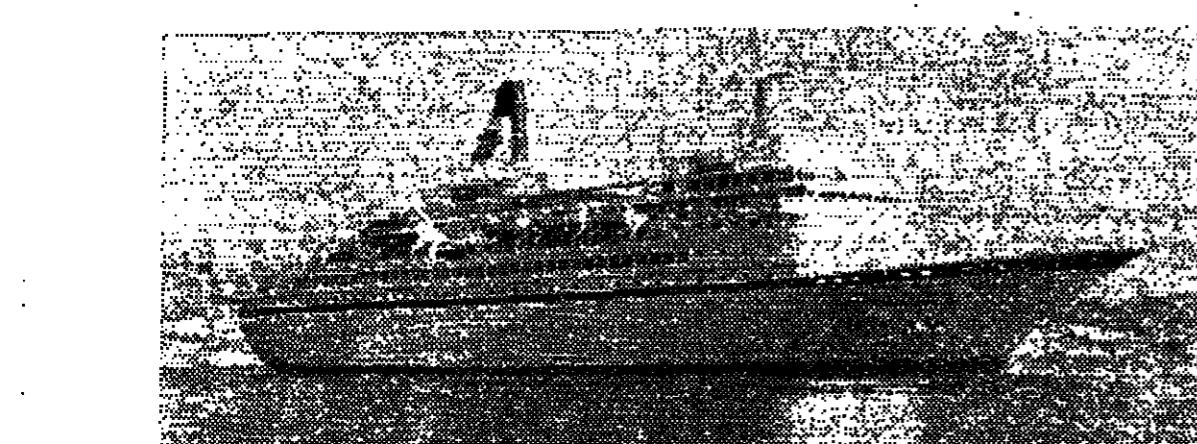
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Omissions from new doctrinal authority

By Our Religious Affairs Correspondent

A new composition for the Doctrinal Commission of the Church of England was announced today. Many of the theologians associated with public controversy over the doctrine of the incarnation have not been reappointed. That includes some of those who sprang to the defence of the doctrine, as well as those who criticized it in the book *The Myth of God Incarnate*.

Of the controversialists, the previous chairman, Professor Maurice Wiles, Regius Professor of Divinity at Oxford, is the most notable omission. The new Bishop of Birmingham, Dr Montefiore, and Professor Geoffrey Lampre of Cambridge, have also been left out, with Professor John Macquarrie and Canon Michael Green, both contributors to *The Truth of God Incarnate*.

The old commission's most famous work was the report "On Christian Believing," which discussed how modern man should regard the creeds and the scriptures.

The new commission has been asked by the Archbishops of Canterbury and of York to engage in basic theological thinking; to serve the bishops of the Church of England particularly by showing how the insights of the ecumenical movement can be communicated to the popular level, to deal at the middle level with the beliefs of other churches, especially churches in the Anglican Communion; and to feed in "the insights of secular thought" to the church's study of theology.

The new chairman is the Bishop of Winchester, Dr John Taylor. Other members are Canon A. R. Baker, the Rev Canon B. R. Professor John Bowler, Canon John Drury, Canon R. J. Halliburton, the Rev Anthony Harvey, Canon David Jenkins, Mr J. R. Lucas, Canon John Macquarrie, the Rev Robin Nixon, the Rev Anthony Thistlethwaite, and the Bishop of Ripon, the Right Rev David Young.



Mr Reinhold Messner: "It is necessary to move quickly to reach the top."

Weather is crucial for climb

Continued from page 1

Mr Messner and his partner will have the benefit of modern down-filled clothing, triple-thickness boots, a final assault tent weighing only one kilo and an ultra-lightweight rope.

"It is necessary to move quickly," he said. "The weather is the more we can expect to reach the top. After that the body deteriorates too quickly."

The tactics will be critical. If the unclimbed pillar of rock along the edge of the southwest face is impassable we will attempt the Bonington route, "the hard way" up Everest, climbed in 1975. If it has no accommodation thickness of snow and ice on

it, the pair will attempt a "gasless" ascent of the longer South Col route. Everything, Mr Messner said, would depend on the weather.

The expedition is being sponsored by BTV Ltd and the climbers will be augmented by Mr Eric Jones, a leading Welsh mountaineer, and Mr Leo Dickinson, expedition photographer.

If I reach only a few hundred feet from the top of Everest and cannot go on, I shall turn back. I shall know it is not proved," he would say.

He would not attempt the summit with oxygen, simply because he would not be carrying any.

Soon Mr Messner will begin a training ritual of climbing at least 3,000ft every day at speed. There will be high-altitude training in Africa, after which he expects his pulse rate to drop to 42.

Twice last year he flew over Everest in an unpressurized aircraft without an oxygen mask. Everest will provide him with ample material for another talent. He is a prolific author, having written 10 books on his adventures.

"In alpinism now it is the ideal to use fewer aids and the ultimate is to climb Everest without oxygen," he said. Colonel Norton would doubtless heartily approve.

Liberals call special conference on pact

Continued from page 1

to be linked with socialist policies.

Lord Beaumont of Whitley, a former chairman and president of the party, thought the party was right to go for the pact at the time it did: the pound was in a state of flux, and a general election last March might have led to chaos.

Conditions had improved, and in six months or a year, perhaps sooner, the country and the party would face a general election.

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Kingdom politics, provided a distinct Liberal issue on which to make a stand. The other two parties were not interested in fair representation and it would be a good point to make with electors that only stronger Liberal representation would bring sure progress towards a better system.

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The resolution to go before the special assembly will be drafted next week by the party's standing committee, its highest policy body. Amendments will be considered later.

MP wins appeal over theft conviction

By Our Arts Reporter

With 10 days to spare, the Tate Gallery has succeeded in its £140,000 appeal to save for the nation the two pictures by George Stubbs, "Haymakers" and "Reapers".

The news was announced yesterday by Lord Bullock, chairman of the gallery's trustees, at a draw of winning tickets for the two lotteries that have helped the Tate to reach its target towards the purchase price of £774,000.

Judge West-Russell, allowing the appeal, said the committee was not satisfied that at the time Mr Montgomery took the books he was dishonestly motivated.

Mr Philip Singer, for the police, said Mr Montgomery, aged 50, a company director of Currys Street Westminster, had admitted his guilt to the police by Lord Selwyn-Lloyd, and "Spent Spent" Spent by Viv Richardson, a football pools winner, into a zip bag while shopping in the Army and Navy Stores, Victoria Street; he paid for a third book.

Later, at Rochester Row police station, Mr Montgomery had said: "It is all true," after a store detective had described the theft.

Mr Montgomery said that at the time he was very tired because of parliamentary work.

Today

Sun rises : 8.1 am Sun sets : 3.52 pm

Moons rises : Moons sets : 11.23 pm

First quarter : Tomorrow

Lighting up : 4.22 pm to 7.31 pm

High water : London 5.7m (23ft); 6.5pm, 7m

22.16m, 24.00m (80ft)

Low water : 11.24 am, 11.22pm (40ft)

Dover 2.42 am, 6.5m (20.3ft)

Hull 10.16 am, 6.9m (22.5ft)

Liverpool 3.17 pm, 6.2m (20.3ft)

Sheffield 10.16 am, 6.5

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Ω
OMEGA
Life, time.



We took our seats.

The orchestra was tuning up.
Enter first violin.
Applause.
Enter conductor... no? Not conductor?
Large mezzo-soprano.
But surely?
A furtive glance at the programme.
Not Brahms' Second after all.
Schoenberg.
More applause. Conductor this time.
Tap! Tap! Tap!
Dischord. Dischord. Very loud dischord. Screech.
I look at Tony. Knitted brow.
I look at my Omega.
Another hour of this.
And then? Refer to programme.
Webern?!

HOME NEWS

Unions disagree over proposal to split Post Office in two

By Christopher Thomas
Labour Reporter

The two main Post Office unions have presented differing views to the Government over whether the Post Office should be divided into separate businesses.

The Department of Industry will produce a White Paper early next year arising from the Carter inquiry into the structure and services of the Post Office.

The Post Office Engineering Union supports the Carter proposals to separate the postal and telecommunications sides. The Union of Post Office Workers is firmly against the idea.

The former's 125,000 members, most of them skilled or semi-skilled, are employed almost entirely on the telecommunication side, which is highly profitable and is adapting rapidly to meet advances in technology.

But the labour-intensive postal side where the Union of

Post Office Workers' membership of 170,000 is concentrated, suffers in consequence. The expansion of telecommunications always leads to a decline in letter sending.

The Post Office Engineering Union is evidence recently submitted to Mr Varley, Secretary of State for Industry, says the data-processing business should be incorporated into the telecommunication business. There is no room for a large scope for merging the Giro and national savings departments and the office of the Paymaster General to form a new state bank.

The Union of Post Office Workers says that the argument that two sides of a business are different is not an argument for division.

Christmas posting: Last posting dates recommended for Christmas are: parcels, December 17 at the latest; second-class letters and cards, December 18; first-class items no later than December 20.

action during the period suggested would have a great impact at Christmas. The whole of industry will have closed and demand will be low.

The Central Electricity Generating Board is creating the claims for pay on an individual basis and so far nobody has received the money demanded. A representative said: "The position is quite clear. If the men worked according to their agreement there were paid. If they did not they were not paid."

Last month's dispute was over travel expenses, concessionary fuel and shift allowances. It seems unlikely that strike

148,000 new jobs could go to Wales, TUC says

From Tim Jones
Cardiff

Unemployment could be greatly reduced in Wales within the next 10 years with the creation of 148,000 jobs if the Government could restructure the supply of labour while promoting economic expansion, the Wales TUC says in a paper published today.

The report, published in response to a call from the Manpower Services Commission for a national debate on unemployment, suggests that urgent steps should be taken in the next two years to introduce early retirement and to give workers the right of an extended leave period every tenth year.

Those two measures alone, the Wales TUC says, would create 48,000 jobs in the principality. Older workers, the report states, should be given the option to work half-time for the last three years of service, so that one full-time young worker could be employed.

Another 40,000 jobs could be created if workers were given an option of eight to ten years' paid educational leave "to help maintain and improve the balance between work and leisure".

Progressive control and elimination of systematic overtime working in industry in Wales would create the equivalent of another 14,000 jobs.

The report says: "Subject to real income security and the control of overtime, we calculate that the implementation of a basic 35-hour week through industry would create up to 35,000 jobs in Wales."

Another 11,000 jobs could be created, it says, by extending the youth opportunities programme to provide an "three years' continuous work-experience to young unemployed people in the 16-19 age groups."

Christmas strike call

By Ronald Kershaw

A call for a national strike among power station workers, from 10 pm on Christmas Eve until 10 am on New Year's Day, will be made at a meeting of the unofficial national joint shop stewards' committee at Doncaster tomorrow. It will come from South Wales shop stewards who say that power workers resumed normal working after their dispute in November on the understanding that the men involved would receive normal pay for the periods when they were working to rule.

It seems unlikely that strike



Sarah Lady Audley (left) and Lady Soames after the funeral service yesterday for their mother, Lady Spencer-Churchill, at Holy Trinity Church, Brompton, London.

Man in the news: Mr Leonard Williams

Voice of the building societies

By John Young

Thirty years ago Leonard Williams took out a £1,600 mortgage on his first house. "I was damned lucky to get that much, because I was earning only £400 a year, and meeting the monthly payments was a real struggle."

Today, as chief general manager of Britain's third largest building society, the Nationwide, he is, as he puts it, "earning a bit more than that".

But for all the idea that home ownership is becoming an increasing financial burden, or that house prices are more difficult for first-time buyers.

"There was a time a couple of years ago when, because of inflation, house prices did get a bit out of line with incomes," he says. "But our studies have shown that, at present repayments take just about the same proportion of average income as in 1969."

As deputy chairman of the Building Societies Association, the urbanite Mr Williams has become probably the best known and most widely quoted spokesman for the movement. Although he was trained as an accountant, his conversation discloses an interest in and familiarity with broad social issues.

Much of that knowledge will be evident today when he addresses a conference in London organised by the association on the recent housing policy review. Another conference speaker will be Mr Shire, Secretary of State for the Environment.

Mr Williams's theme will be relations between building societies and local authorities. But he believes, as the association states in its well argued response to the policy review, that the Government itself has seriously underestimated future demand for home ownership.

"Mind you, I am not one of those people who believe that increased home ownership is the answer to all our problems," he adds. "There have been doctored figures on the right as well as on the left."

"One of the tragedies of housing policy since the war is that it has largely ignored the needs of the really disadvantaged. They are the people about whom, at least until recently, with *Carthy Come Home* and so on, people care a damn."

Building societies could still liberalise their lending policies, he says, at the extent of giving higher advances on older and cheaper properties, and offering larger loans in relation to incomes. "After all, building societies were founded for social purposes, and they have achieved an enormous social revolution, so in a sense it is our duty to be more liberal."

He rejects the accusation, by Shire, that the association, in particular, is unfairly against poorer sections of the community by "red lining" certain inner-city areas where they will not give mortgages.

"Nevertheless it must be accepted that there are some areas so deprived that it would be sheer folly for anyone to buy a house there. After all, if somebody buys such a house for £10,000, and a year later its worth only £9,000, it will not worry an enormous society like ours very much, but it will be a personal tragedy for the man concerned."

5,000 solicitors to offer advice for £5

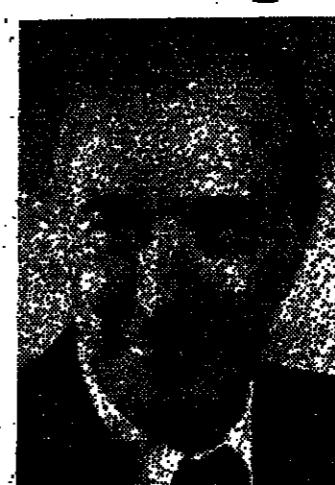
By Our Legal Correspondent

Up to half-an-hour's legal advice for a fixed fee of £5 or less will in future be provided by more than 5,000 solicitors' firms in England and Wales.

People who already qualify for free legal advice will continue to get it but the new scheme is expected to allow many who are ineligible for full legal aid to obtain advice for £5. Solicitors who have agreed to provide the service may, however, refuse to give advice to people who can obviously afford to pay the going rate.

US aircraft crashes

United States F-111 swing-wing fighter crashed within 35 yards of a landing estate at Easington, near Newcastle, yesterday, but no one was hurt.



Mr Williams: our duty to be more liberal.

At present, he feels, they are heading for a collision, which can be avoided only by greater understanding and consultation.

In the past, councils have taken a "blinder" view, he argues, concentrating almost exclusively on the provision of public sector housing. As a result, there is in some areas

Elsewhere people who could and would like to own their own homes are occupying accommodation that might otherwise house people from the waiting list.

He hopes that matters will be improved by the new government policy of requiring authorities to produce comprehensive housing strategies, covering all sectors. But he believes, as the association

Food policy challenge to Shadow Cabinet

By Hugh Clayton

Secondly, it reflects a growing penetration, even in Conservative and farming circles, of the assertion from food processors and the consumer lobby that EEC farm policy is much too favourable to farmers.

Yet the authors have strong agricultural backgrounds. They are Mr Alick Buchanan-Smith MP for Angus, North, and Mearns, a former junior minister in the Scottish Office responsible for farming; and Mr Peter Mills, MP for Devon West, a farmer and former Parliamentary Secretary at the Ministry of Agriculture.

Their paper, which forms a sequel to one they published in July, is significant for two reasons. First, it underlines discontent among Conservative MPs about the absence of a clear policy about farm and food prices.

While they feel that the policy has had some successes, they regret that "increases in farm prices take place to cover the costs not of the more efficient producers, but of virtually all producers."

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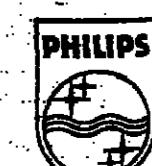
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This year, the Government changed the rules controlling the leasing of cars for business use.

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From then on you can pay a monthly rental which can include all your maintenance costs.

You don't have to worry about depreciation, either.

And the entire cost of leasing can be set against tax. Which can halve the real cost to you or your firm.

We hope you'll take advantage of this new situation by sending us the coupon below.

After all, it's not every day a Government regulation lets you drive off with something worth £5,000 just by paying £500.

Our grateful thanks to the occupants.



I'm interested in leasing. Please send me details of the car(s) I've ticked. Audi 80 Audi 80 Estate Audi 100 Audi 100 Avant
 Name _____ Position _____ Company _____

Address _____

Cut out and send the coupon to: Audi Leasing Volkswagen (GB) Ltd, Volkswagen House, Brighton Road, Purley, Surrey.

*This cost is based on Audi 100 LS Automatic £5,320. Figure also includes 40% buyback at 36 month stage. Terms quoted subject to acceptance by our leasing company, ALF Leasing.

HOME NEWS

Judge speaks after protest over year's sentence on killer

Mr Justice Lawson, whose sentencing of a killer to 12 months' jail has been criticized, spoke at Winchester Crown Court yesterday about "what might have been a merciful verdict" by the jury in the case. He added that he was bound to proceed in accordance with that verdict.

He had been criticized for his sentence on Wednesday after Ralph Liddle, aged 23, an army deserter, of Marlowe Road, Stoke-on-Trent, had been cleared of murdering Kenneth Green, aged 18, a policeman's son, but convicted of his manslaughter.

At the start of court proceedings, yesterday, Mr Justice Lawson said he found it necessary to say something in open court about misunderstandings that had arisen over the case.

He said: "I think we should remember the jury unanimously found him not guilty of murder. I thought it was made very clear, but it was not so obviously necessary to make it perfectly clear, that the basis on which the jury returned their verdict of manslaughter was that they were satisfied that

the deceased youth was alive although unconscious when he was put in the river but that the prosecution had failed to prove that Liddle knew or believed that his victim was still alive. It may have been a wonderful verdict and I am bound to proceed in accordance with that verdict."

Police Constable Alan Green, aged 39, after learning that his son's killer had received only 12 months for the crime, said he was resigning from the police force.

Police Constable Green has served in the police force for 20 years. He said when announcing his resignation: "I regard the sentence as an insult to my son and I will play no further part in the law which has done this awful thing. The law in this country has been taken over by the do-gooders."

Hampshire colleagues expressed sympathy yesterday with his action. The sentence as another nail in the coffin of justice," a senior officer said. "It was a slap in the face for law and order. What will people think when they know a killer gets only 12 months in jail?"

Call for state-run nurseries for the under-fives

State-run nurseries for children up to the age of five should be available on demand and free of charge, a TUC working party says in a report published yesterday.

The 128-page report calls on the Government to place a statutory duty on local authorities to provide preschool centres providing an integrated service of care, education, health and welfare for the under-fives.

New legislation should also be introduced laying down minimum national standards of child-minding, including staffing, space and safety, the report says. Minders should be employed directly by local authorities with paid holidays and pension rights. Training for minders should be provided on full pay.

The growing numbers of mothers with young children who are going to work make it essential that community child-care should be provided during working hours. The hours of existing nursery classes needed

to be extended, and facilities should also be available during school holidays.

Two thirds of women aged between 18 and 44 have children under 15, the report says. There are 4,500,000 children under the age of five, a quarter of whom are from one-parent families.

The Under-Fives: Report of a TUC working party, Congress House, Great Russell Street, London WC1, 50p.

More help for inner cities

New powers for local authorities in inner cities designed to assist industry and regenerate their areas are detailed in the Inner Urban Areas Bill, published yesterday.

In addition to financial help through the urban aid programme and the rate-support grant, the measures in the Bill are likely to cost about £25m a year.

Food producers benefit from EEC

By Hugh Clayton
British food traders have found an answer to the growing dominance of their home market by foreign suppliers who enjoy EEC subsidies. They are responding to cheap Community butter and bacon by increasing vastly their sales of tea and chocolate to other Community countries.

It is ironic that after five years of EEC membership Britain should be covering part of the cost of imports by adopting its traditional role as a processor and merchant of raw materials from developing countries.

Trade sold by Britain to the rest of the EEC was worth more than £1bn in the first nine months of this year, up 10 per cent on last year. Mr Michael Vernon, president of the British Food Export Council, said the weight sold was two thirds higher than a year before.

Sales of chocolate confectionery had risen by three quarters since 1976, to reach a weight of 24,000 tonnes worth more than £27m.

"Europe, including the EEC, now accounts for more than 52 per cent of our food exports," Mr Vernon said. "So often over the years we have built up trade only to be stopped in our tracks by protectionist restrictions, particularly in those countries that were once coloured red on our maps, signifying their membership of the old British Empire."

Britain remains an important centre of world trade in tropical raw materials for the food industry, such as cocoa, sugar and tea. As consumption of tea has fallen at home, food companies have been driven to export more to keep their businesses working at full capacity.

Mr Dell, Secretary of State for Trade, said yesterday that food imports had cost Britain £4,500m last year. It was vital

Verdict on widow who died during power cut

A verdict of death by misadventure was recorded by the North London coroner yesterday on a widow, aged 84, who died on a hospital operating table during a power cut last month. The theatre was plunged into darkness and staff worked in torchlight, it was stated.

Both emergency back-up electrical systems had failed and the anaesthetist was monitoring by counting a pulse at the neck and by stethoscope when the woman's heart stopped for a second time. It was some minutes before a battery-operated heart machine could be brought into the theatre to replace the one that should have been powered by the emergency system.

D. David Paul, the coroner, said of the death at the Princess of Wales Hospital, Tottenham: "Failure to have the fibrillating equipment in working order at the time of her second cardiac arrest must have embarrassed attempts to resuscitate her. But whether the attempt would have been successful is impossible to say."

An investigation had revealed that a faulty generator's failure to operate had been caused by defective batteries.

Dr Meander Sebastian was the surgeon at the operation on Mrs Lilian Pettingell, of Newton Road, Tottenham, on November 27. The operation was normal until the first cardiac arrest. She was resuscitated and the operation continued but there was a power failure, during which Mrs Pettingell's heart stopped.

The power failure had no adverse effects on the surgery, Dr Sebastian said. He was not at a particularly critical stage.

Mr Leonard Busby, the hospital's acting engineer, said that on October 27 the generator batteries were found to be defective because of a faulty battery charge. A new generator was started but not run when he made random checks the last on November 3. During the operation he tried to start the generator but it would not work.

The coroner said it had been known for some time that the battery starting the generator had been behaving abnormally.

"For some reason no action was taken and no detailed log reporting this was in existence." A hospital inquiry showed that failure was due to the defective state of the batteries.



A Carolingian ivory plaque from the cover of a manuscript gospel which was sold for £255,000 at Sotheby's yesterday. (Sale room, page 18.)

British Rail wants 13p rise in petrol prices

By Michael Baily
Transport Correspondent

A 13p increase in petrol prices to nearly 51 a gallon is called for by Mr Peter Parker, chairman of British Rail, today, as a means of long-term help to the railways.

British Rail, he says, needs about £50m a year (£325m instead of £275m this year) to restore the "crumbling edge of quality" that is clearly visible in stations and rolling stock on main-line lines. Even the highest fares he is in

adequate for a period when it would encounter a generation gap calling for massive reequipment as the big post-war modernization programme ran out.

Transport Bill: Some county councils are giving insufficient support to keep bus services going, particularly in the countryside and small towns, Mr Rodgers, Secretary of State for Transport, said yesterday. He was commenting on the new Transport Bill, which requires counties to prepare rolling five-year transport plans from 1979, and gives fresh freedom to community minibuses and car sharing.

Mr Parker also invites the Government to "look very hard indeed" at company cars, and raise the "subsidy" on heavy lorries, which he estimates at £50m a year, or £3,750 a year for each lorry, doing 100,000 miles. "We should like to see some progress in eliminating that subsidy—perhaps over the same time scale the Government wants to eliminate our own freight deficit," he says.

On productivity, he says: "We have done a great deal: payroll down by 12,000 in two

years, wagon fleet by 50,000, and locomotives by 250 over the same period. But we cannot be satisfied. We shall never convince customers that we are giving value for money if we are seen to be overpriced. That is the nub of the problem."

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Building pay deal

Leaders of 85,000 council building and civil engineering workers yesterday accepted a wage rise within the Government's 10 per cent guidelines

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Schools 'breaking law on religious studies'

By Diana Geddes
Education Correspondent

Half the secondary schools in England and Wales are breaking the law on religious instruction, the Assistant Masters' Association says today. A survey by the association suggests that they fail to provide a minimum of one religious period a week for all pupils.

Whether that is illegal or not depends on how the Education Act, 1944, is interpreted. The Act states that "religious instruction shall be given in every county school and in every voluntary school". It does not specify how often or to whom.

The association believes, however, that the law must imply regular instruction and that a common sense interpretation would therefore be that at least one religious lesson a week should be required for all pupils.

The survey of more than a thousand schools, made in October 1975, and published in the *Education Journal*, shows that 53 per cent failed to meet that standard. Even if six forums were excluded, two schools in

five would still fail to comply with the law, in the association's view.

A quarter of the schools dropped religious education as a compulsory subject for pupils from the age of 14. Twenty-six schools provided no religious education at all, and 94 others did not provide it for any of the first three years, although it was available as an option for older pupils.

Most schools with little or no formal religious instruction provided other courses such as sociology, the humanities, social studies, and moral education, some of which incorporated religious education.

The association was also concerned about the failure of schools to pay attention to the "agreed syllabus" for religious instruction which the 1944 Act says must be had down by local authorities.

The schools said there was "only occasional contact" or "no contact" at all between the agreed syllabus and what was actually taught. Some did not even know what the agreed syllabus was.

Some tips by a chief at the Hollow Tooth

By Peter Evans
Home Affairs Correspondent

John Laws at the Hollow Tooth, anxious to be ready-made and to have their share of tickles, could do worse than turn to a book published today by Deputy Assistant Commissioner David Powis, of Scotland Yard.

The glossary he includes of "wids and pences" commonly used by thieves, cheaps and pences" explains that "John Laws" is "respectable police", or be "ready-made" and "nickles" are "knowledgeable and tickles" are "worthwhile arrests". Hollow Tooth is a comic and disgruntled term for Scotland Yard, used by some policemen and certain knowledgeable criminals and is very much an "in" term.

Mr Powis, senior deputy assistant commissioner in the Criminal Investigation Department of the Metropolitan Police, has produced a cross between a good sleuth's guide and a picture of the underworld that Mayhew might have recognized in his books on Victorian England.

Describing how to cultivate informers, Mr Powis tells of the murky relationship between prostitutes, their "maids" and pences. He says: "Remember maids, as a class, seem intensely antagonistic to pences, and are often the originators of anonymous letters concerning them."

Often a maid is an old prostitute or thief, employed "to be a decoy" to describe the type of service offered, to prevent queuing or any other suspicious behaviour outside and to keep nervous clients occupied with either sedacious reading material or part conversation until they can be seen, in turn, by the prostitute".

He also announced that any proposal to sponsor a big sport, not previously sponsored by the industry, would be subject to prior consultation with him. Televised events would be subject to a new agreed code of practice.

Mr Michael Daube, director of Action on Smoking and Health (ASH), said yesterday: "It is the first step towards much tougher curbs. Any code of practice can be strengthened."

Cautious approach: The Government's approach to the prevention of ill health is one of caution on such controversial issues as higher taxes on tobacco and alcohol, and the abolition of cigarette advertising. It is made clear in a White Paper published yesterday (our Health Services Correspondent writes).

Introducing the document, Mr Ennals, Secretary of State for Social Services, said prevention of ill health was a government priority. But the main message was that it was largely a matter for the individual.

The White Paper is the final stage of the Commons Expenditure Committee's inquiry into preventive medicine and 24 of the 53 committee's recommendations were accepted fully.

The White Paper concludes that some of the most difficult diseases to prevent are those associated with human behaviour. The Government will help by fostering preventive policies, but responsibility for one's own health rests largely with the individual.

The White Paper says the Government will consider the recommendation that there should be an annual increase in tax on cigarettes to reduce consumption. It is having discussions with EEC partners about a supplement to taxation to discourage the smoking of cigarettes with high tar content.

The tobacco industry is taking steps to phase out high-tar cigarettes by March, 1979. The Government does not agree that the advertising of cigarettes should be completely banned. It is possible that a ban would have a minimal effect on total consumption and be regarded as unnecessary restriction on individual liberty.

Widespread screening of healthy people could be justified only when the disease can be effectively treated.

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Nevertheless, you can, after the third time, say to the Bench something like, "My Lord, perhaps the shorthand writer should know my police record is that of constable."

Signs of Crime, by Davis Powis (UK) Ltd, 54.50.

Edmund Wilson

Edmund Wilson's letters, 1912-1972, in *The Times* Higher Education Supplement today, which Judd visits Aberdeen University and Peter David the London Business School, and David Walker talks to Robin Blackburn.

55,200 staff for Armed Forces' 39,700 trainees

by Henry Stanhope
Defence Correspondent

An all-party committee of MPs, which calls for more economies in the Armed Forces' training bill, estimated to be £350m a year, criticizes "deeply rooted single-service habits" in its report today.

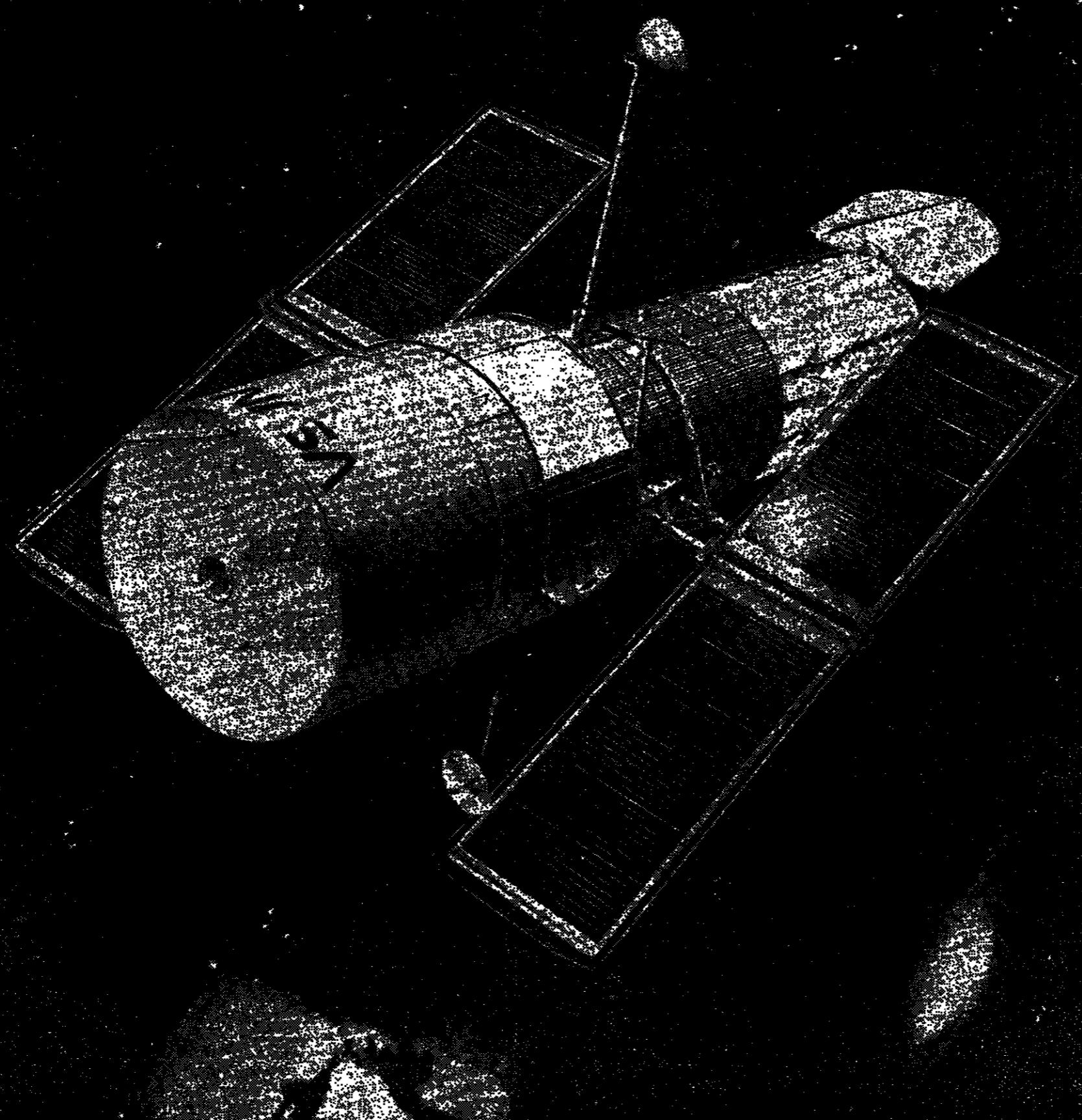
An independent inquiry into joint Service training was conducted for the Ministry of Defence by Mr E. R. L. Lewis, chief training consultant for the training services agency of the Manpower Services Commission.

Today's report by the Defence and External Affairs Subcommittee of the House of Commons' Expenditure Committee points to the 13 RAF and 26 Royal Navy ground training schools listed by Mr Lewis and to 57 equivalent army establishments.

It suggests that "a degree of over-management" is borne out by figures, which show an average of 20,700 soldiers in training but 22,500 administrators and instructors.

Figures published in an appendix to the main report indicate that, for a new central organization at the ministry to promote joint training, the MPS are also "extremely concerned" that the ministry failed to consult Mr Lewis during and after his inquiry. They even had difficulty, as did Mr Lewis, in finding out precisely how many Servicemen were undergoing joint training at present.

In 1983, man may see to the edge of the universe



with this NASA/Lockheed Space Telescope.

When it is launched late in 1983, the NASA Space Telescope may enable scientists for the first time to see distant galaxies as they appeared when they were formed. The Space Telescope will be able to detect images that originated 14 billion years ago, when according to some theories the universe was created.

New planets of other solar systems—perhaps worlds similar to ours—may come into view.

Whatever awaits the scrutiny of scientists, it will be seen with clarity seven times better than that of earth-based observatories. Moreover, the Space Telescope will detect objects 50 times fainter than is possible on Earth. And it will perform ultraviolet and infrared measurements impossible from Earth.

Lockheed, under contract to NASA's Marshall Space Flight

Center, is designing and building the largest part of the Space Telescope, the Support Systems Module. Lockheed also is integrating the optics and various scientific instruments into the Telescope. And Lockheed will test the entire system before it is launched.

Once in space, the Telescope will be able to lock onto celestial objects with absolute accuracy for as long as 30 to 40 hours.

From man's study of the heavens have come concepts of time, calendars and clocks. Early astronomy led to the laws of gravitation—and these to the development of mathematics. Now the Space Telescope promises to bring mankind worlds of new knowledge.

Helping man explore the vastness of the universe. One of the technological achievements of the 55,000 workers at Lockheed.

WEST EUROPE

European Parliament shows its muscle by disputing EEC budgetFrom David Wood
Strasbourg, Dec 15

The EEC Budget for 1978 still hangs in the balance with little left for reconciliation between the Council of Ministers and the European Parliament, the joint budgetary authorities.

If agreement is not reached tomorrow or early next week the 1977 Budget will be continued into the new year, with a twelfth of the total appropriations doled out each month to keep Community programmes running, though on a hand-to-mouth basis.

After Parliament had defeated the Council today by carrying extensive amendments at the final stage of the Community's protracted budgetary procedures, word was sent to Brussels in the rather faint hope that the Council would give way before Parliament rises tomorrow. More probably the decision will be left to the finance ministers, who meet on Monday, for they set the financial limits beyond which the governments of the Nine said they would not go.

Most of the dispute between Council and Parliament has hinged on the Regional Development Fund. Earlier in the year the Commission drafted a budget providing increases to meet the regional and employment needs of the Community and enlisted the support of Parliament. Finance ministers disagreed, partly because of West German and other governments' fears of in-

fation, and eventually the issue was passed on to the prime ministers at the European Council in December.

The prime ministers objected to keeping tight domestic control on spending and encouraging the Community Budget to increase by high percentages albeit from a low base. Parliament was warned on Tuesday that the European Council had left only small margins for concessions. In particular, the prime ministers had set a limit of 580m units of account for commitments in the regional fund budgeting for 1978. Equally, they wanted cuts in the Parliament's proposed figure for payments appropriations.

Today Parliament refused to be cowed. It voted to add £111m to the payments side of the 1978 Budget and £55m to the commitments side. Payments appropriations to the Regional Fund were increased by £58m. Now was that all. The absolute ceiling for Regional Fund commitments set by the prime ministers in December was raised by a token sum of £650,000, as an assertion of Parliament's role as joint budgetary authority and a reminder to the Council that Parliament is not to be treated lightly.

In an important sense, the dispute between the Council as executive and the Parliament as legislature is better seen as less a budgetary disagreement than as a constitutional struggle. Speaking in an interview on television, Signor Berlinguer said that such a refusal would

Nine to pay grants for interchange of teachersFrom Michael Hornsby
Brussels, Dec 15

Twenty British universities and polytechnics are to receive grants from the EEC budget this year towards the cost of organizing joint courses of study with other institutions of higher education in the Community, the European Commission announced here today.

About 200 British specialists in vocational training, teachers, administrators and researchers in higher education, and local and regional administrators of secondary education will also receive EEC grants to finance study visits to other Community countries over the next three years.

The joint study courses, which could in some cases lead to the award of joint diplomas or degrees, are seen as a way of increasing the mobility of students throughout the Community and breaking down cultural barriers.

Fewer than 10 per cent of foreign students in individual EEC countries come from other Community countries, according to the Commission. Only some 2,000 students in the EEC, about 0.5 per cent of the total student population, are studying in another EEC country.



Communists demand power: High officials of the Portuguese Communist Party supporting their leader, Senhor Alvaro Cunhal (second from left), in a demand to participate in the next Portuguese Government. They were appearing at a rally in Lisbon. Last night President Eanes flew home from a state visit to West Germany and was preparing

with the crisis caused by the collapse of the Socialist Government headed by Dr Soares. The Socialists failed to win support for the austerity programme they proposed for solving the country's grave economic problems. Dr Soares, the caretaker Prime Minister, has held discussions with Communists and Centre Democrats and was preparing

last night to meet the Social Democrats, the second largest party. But with no prospects so far of a firm majority coalition capable of facing up to the economic dangers, political observers were speculating that President Eanes might have to call elections in the new year. On his return, the president praised the Portuguese peoples' calm.

Italian Communists renew coalition demand

From Peter Nichols

Rome, Dec 15

Signor Enrico Berlinguer, the Italian Communist leader, warned the governing Christian Democrats tonight that they would be taking an extremely grave responsibility on themselves if they refused to accept an emergency coalition including Communists and Socialists.

Speaking in an interview on television, Signor Berlinguer

said that such a refusal would mean a further deterioration. He denied that the main issue facing his party was whether to go into government or return to the opposition. He said that it was working for a solution which would bring together the three main parties and others who wished to join them, "in the great effort which has now to be made".

Signor Berlinguer agreed with those Christian Democrats

who felt that the situation was so serious that it could not be kept in hand if either the Communists or the Christian Democrats went into opposition.

He was speaking after a meeting between representatives of the unions and the Government at which Signor Giulio Andreotti, the Prime Minister, explained the economic strategy which he is due to lay tomorrow to put before the

representatives of the parties collaborating with his minority administration.

Signor Andreotti has accepted that it is necessary to make some changes in his Government in order to meet Communist criticism that it is doing too little to meet the economic crisis, but he excludes the idea of forming a government with the Communists.

Mr van Agt forms new Dutch Cabinet

The Hague, Dec 15.—Mr Andreus van Agt, the Prime Minister-designate, tonight formed a centre-right coalition Government, ending Holland's 20-day political crisis.

A spokesman of Mr van Agt said the new Cabinet would meet on Saturday and that Queen Juliana would swear in the new Prime Minister on Monday.

A week ago the Queen invited Mr van Agt, the Deputy Prime Minister and Justice Minister in Mr Jop den Uyl's Cabinet, to form a government.

Mr den Uyl, who headed a caretaker Government since the May 15 general elections, tried repeatedly to form a left-centre coalition but failed each time.

He had hoped to form a coalition of his Labour Party with 53 seats, the Christian Democrats with 49 seats, and the Democrats with eight.

Mr van Agt's coalition excludes the Labour Party. It is composed of his own Christian Democratic Party and the Liberal Party (28 seats), giving him a slim two-seat majority in the 150-seat lower house.

Even this slim majority is uncertain. Seven members of the Christian Democratic parliamentary caucus have said they will support the new Government only on merit.

The new ministerial team of 16 includes only two survivors from the outgoing cabinet—Mr van Agt himself and Mr Alphons van der Stee, his fellow Christian Democrat.—UPI and Reuter.

Exploiters of hostages rebuked by President

From Charles Hargrove

Paris, Dec 15

M Georges Marchais, the Communist Party leader, made a serious political miscalculation yesterday when he attempted to make political capital from the release of French hostages held by the Polisario guerrillas, by announcing it first, stealing

from the Christians who had ended in a sharp break.

Condemning implicitly Algerian interference in French domestic politics over the Polisario and other issues, he insisted that "one must learn to establish cordial relations by respecting each other's independence and interests".

The President also dealt in great detail with the situation in the Middle East, his comments on the initiative of President Sadat in going to Jerusalem being tinged with distinct reservations.

He went on to remark that President Sadat had not yet made any progress in his attempts to obtain a permanent settlement with Israel. For him such a settlement could only be global and must be just and acceptable to all the parties concerned.

"If it is not global, there will be no peace in the Middle East", he emphasized, adding that the only road to a global peace led through the reconvening of the Geneva Conference.

"The problem of the Polisario is an international and African problem. France is taking part in international discussions on this issue but it will not accept that through pressure and blackmail it is led to adopt a stand which it is not responsible to take."

M Giscard d'Estaing spoke at length on relations between France and Algeria, and remarked that it was not easy to have normal and cordial relations after 130 years of cohabitation.

He was very insistent on the role of the Soviet Union. There could be no international guarantees of peace in the area if "all the powers liable to affect the equilibrium in the Middle East did not participate in them. Among those powers is obviously the Soviet Union".

The President emphasized his desire that Mr Begin, the Israeli Prime Minister, should come to Paris to pay a "useful visit".

The problem of international guarantees in which France and Europe could play an important part was one he would like to discuss personally with him.

For 1978

Soaring range of
motoring with the
back coupe; easy to
two Cherry saloon
popular Bluebird

NEW! Violet

The new range of
luxury of executive
family car. There's a
1.4 litre and 1.6 litre
performance, reliable
have a larger interior
with more passenger

window area with a
smaller turning circle
for easy manoeuvring
at the rear to give you
comfort with safe and
Luggage space has
20% to cater for family

The Violet saloon
would expect from
radio, cloth upholstered
new deep pile fitted
clock, two-speed wiper
facility, lockable glove
hazard flashers, headlight
features for your car

the tube

From 1500 today, December 16, the Underground brings Heathrow Airport to London's doorstep.

The new Heathrow Central Station connects the Piccadilly Line to all three Heathrow Terminals.

So you can get from the London Underground to your departure lounge, under cover all the way.

The journey from Piccadilly Circus to the heart of Heathrow will take 40 minutes and cost 80p.

With a frequent service, trains every 4 minutes in peak hours.

Take the Tube to Heathrow Airport.

It's the only way to fly.



هذه من الأصل

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هذه من الأصل

Bonn's reluctant soldiers face conscience test

From Patricia Clough

Berlin, Dec 15

President Giscard d'Estaing announced tonight that the eight French hostages seized by the Polisario guerrillas earlier this year will be handed over to Dr Kurt Waldheim, the United Nations Secretary-General, on December 23.

The handing over will take place in Algiers, the President told Maitre Jacques Miguel, the lawyer who represents the families of the hostages, at the Elysee Palace this afternoon.

Statement by the presidency said that Dr Waldheim had informed the French Foreign Minister by telephone of the date of release and said "he would be going to Algiers to receive them".

Neither the OGT nor OFDT agreed to sign the pay award settled in September with the three much smaller unions with members employed by the authority.

M Marcel Boiteux, director-general of the electricity authority, told them however, that this agreement, reached after seven months of discussions, was binding and there was no question of reopening discussions.

As far as the unions were concerned, the offer was worthless. They are pressing for "thirteen months" of pay compensation for the loss of buying power and a comprehensive revision of pay scales.

In the words of the CGT negotiator, M Roger Pauwels, "there had been "no opening whatsoever".

Jockey released

Paris, Dec 15

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Menten appeal

Amsterdam, Dec 15.—Pieter

Menten, aged 78, the Dutch

millionaire art collector, today appealed against his conviction

and 15-year prison sentence for

war crimes announced by a

special court yesterday.

New from Datsun for 1978!



For 1978, Datsun have added several important new models to their best selling range of cars—exciting additions which give extra refinement in family motoring with the all-new 1.4 litre and 1.6 litre Violet saloons and the Violet hatchback coupé; easy to use semi-automatic transmission with 1200 cc engines in the two Cherry saloons; and the introduction of a 1.6 litre version of the extremely popular Bluebird saloon.

NEW! Violet Mark III

The new range of Violets offer you the comfort and luxury of executive-style motoring in a lively compact family car. There's a choice of engines in the saloon; 1.4 litre and 1.6 litre, both with a world proven record for performance, reliability and economy. The new Violets have a larger interior than the models they replace, with more passenger space and comfort, 10% more window area with a lower waistline for extra visibility, a smaller turning circle with light and precise steering for easy manoeuvring and parking, more powerful brakes for even safer stopping, and a new 4-link coil suspension at the rear to give you exceptionally smooth riding comfort with safe and predictable handling. Luggage space has also been increased by no less than 20% to cater for family motoring needs.

The Violet saloons have all the equipment you would expect from Datsun — tinted glass, push button radio, cloth upholstery with reclining front seats, new deep pile fitted carpets; a highly accurate quartz clock, two-speed wipers with intermittent and wash/wipe facility, lockable glove box, reversing lights, hazard flashers, heated rear window, and many more features for your extra comfort and safety.



Violet SSS Coupé

They join the recently announced Laurel Six executive saloon to bring your choice of Datsuns to 35 quality built saloons, estate cars, hatchbacks, coupés and sports cars, all extremely well equipped in Datsun tradition and competitively priced to give you reliable, economical, value for money motoring in 1978.

Ask your dealer now for details of the complete range of Datsuns.

And for the first time in this range, Datsun have introduced a hatchback version, the Violet SSS coupé which has a high-lift tailgate with removable rear shelf and fold-down rear seat to give you enormous carrying capacity. The hatchback has a twin carburettor version of the 1600 cc engine and a five-speed gearbox for extra performance and driving pleasure. A rev counter is, of course, part of the comprehensive standard equipment.

The new Violets are an important addition to the Datsun range of family cars with prices that go from £2749 for the 1.4 litre saloon to £2819 for the 1600 saloon and £3140 for the hatchback coupé, all inclusive of Car Tax, VAT and seat belts.

NEW! Cherry Automatic Saloons

Two new additions to the top-selling range of Cherrys — superb easy-to-drive saloons with Datsun semi-automatic transmission and 1200 cc engines. Gearbox operation is through a torque converter and there is no clutch pedal for the driver to worry about—the clutch is operated automatically when the selector lever is moved. There are three forward positions—Low, for starting off, Drive, for normal motoring, and a special Overdrive feature for relaxed high-speed cruising. The new semi-automatic Cherrys have the top Datsun specification for this range, including cloth upholstery, reclining front seats, tinted glass, reversing lights, heated rear window, hazard flashers, cigar lighter, etc. They are priced at £2292 for the 2 door saloon and £2381 for the 4 door saloon, inclusive of Car Tax, VAT and seat belts.

NEW! 160B Bluebird Mark II

Added to the top selling Bluebird Mark 2 range is a 1.6 litre version, powered by a 1595 cc overhead camshaft engine, giving 81 bhp for extremely brisk

performance, coupled with extra economy. The 160B Bluebird has all the luxury features of the already well established 1.8 litre saloon—fully independent suspension, power assisted dual-circuit brakes, luxurious interior with velvet style cloth upholstery and a full complement of equipment from two wave band push-button radio and tinted glass, to cigar lighter and electric clock. There is a bi-level heater with rear seat duct, illuminated ignition and steering lock, and convenient column mounted controls for lights, and wash/wipe system for the windscreen.



160B Bluebird Mark II

The new Datsuns all have the quality and dependability that you get from the technology of Datsun, the world's fourth largest car manufacturer. Ask your dealer NOW for full details of the 1978 Datsuns.

More people choose Datsun—Datsun give you more choice

OVERSEAS

Romania's minister of mining is dismissed

From Dessa Trevisan
Bulgaria, Dec 15

President Ceausescu today dismissed Mr Constantine Babesu, his Minister of Mining, four months after the three-day strike in the coal mining Jiu valley.

As is customary in Romania no reason was given for the minister's removal, but it seems obvious that it was connected with his failure to satisfy the miners after the President had personally promised to meet their grievances.

According to the Romanian news agency Agerpres, Mr Vasile Facinet, the former Minister of Forestry, took over the post.

The August strike involving some 35,000 miners in the Jiu valley was in protest against low pay, poor working conditions and insufficient food supplies. It caused President Ceausescu to interrupt his holiday and rush to the Jiu valley, where he was shooed down and heckled before the miners were ready to listen to his promises and call off the strike.

Since then, the President has made two more tours of the Jiu valley. During the latest he again promised that the new pension law will be revised in order to meet the miners' demands but the miners apparently remained sceptical.

According to reliable reports over 2,000 troops and police have been patrolling the valley since the strike.

any immediate prospect of participation in a peace discussion.

"I certainly would not ascribe that sort of intransigence or negative attitude to any of the other parties who have been mentioned as possible participants."

"I think there are major steps already having been taken to delineate those who are immediately eager to conclude a step towards peace; those like President Assad, who will wait a while to see what does occur, to see if the Golan Heights question can be resolved so forth; and those who have in effect removed themselves from serious consideration, like the PLO."

Asked about the Soviet attitude to the Middle East, Mr Carter replied that relations between the United States and the Soviet Union were now much better than they were when he became President.

"The PLO have been completely negative. They have not been cooperative at all. In spite of my own indirect invitation to them and the direct invitation by Sadat and by King Hussein and by King Khalid, of Saudi Arabia, the PLO have refused to make any moves towards a peaceful attitude."

"They have completely rejected United Nations resolutions 224 and 388. They have refused to make any public acknowledgement that Israel has a right to exist in peace. So I think they have themselves removed the PLO from

mate resolution of the Middle East differences."

Mr Begin arrives here this afternoon. President Carter said he had no idea what Mr Begin was bringing with him, but he observed that he was in a good position to act as broker between the two sides.

Fouad el-Gawhary writes from Cairo: Egyptian and Israeli officials who today began the first formal working session of the Cairo peace conference remained divided on how to approach a Middle East settlement.

The Israelis wanted to get to the subject of how peace should be realized on what terms; the Egyptians preferred to tackle first specific subjects such as Israel's withdrawal from territories occupied in 1967 and the Palestinian people's rights to establish their own state, delegation sources said.

Egyptian and Israeli spokesmen, however, said the talks, either formal or private, were being conducted in an amicable and friendly atmosphere.

Conference sources do not expect any concrete outcome before Monday after Mr Begin returns to Israel from his talks with President Carter. In any case the talks will be adjourned for three days, tomorrow, Saturday and Sunday, for the Muslim, Jewish and Christian sabbaths.

Peter Nichols writes from Rome: The Pope today promised whatever could be offered by the Holy See towards attaining a peaceful solution of the Middle East conflict.

Mr Eliahu Ben Eliyahu, Israel's chief delegate to the Cairo talks, stretches his legs within sight of the Cheops pyramid.

President Carter says PLO has shown itself unworthy of seat at Middle East settlement talks

From Patrick Brogan
Washington, Dec 15

President Carter told a press conference in Washington today that the Palestine Liberation Organization had removed itself from serious consideration in the Middle East peace-making process.

Moderate Palestinians were invited in Cairo, he said; Mr Begin, the Israeli Prime Minister, and President Sadat, of Egypt, agreed with him.

"Our immediate hope and goal is that any peace move made by Israel and Egypt would be acceptable to the moderate Arab leaders in the Middle East, certainly King Hussein of Jordan, certainly the Saudi 'Arabsians'", Mr Carter said.

"We have had good indications, certainly in my personal visits with President Assad, that he wants to resolve the differences.

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Egyptian police baffled by Holden murder

From Edward Mortimer
Cairo, Dec 15

The Egyptian police are still unable to find the motive for the murder of David Holden, chief foreign correspondent of *The Sunday Times*, whose body was found on the outskirts of Cairo on Wednesday of last week.

Well aware of the damage which such an event can do to Egypt's international reputation, the authorities here are taking the case extremely seriously and have by no means ruled out the possibility that Mr Holden might have been the victim of a political assassination. This possibility and the fact that the murderers are still at large clearly have alarming implications at a time when Cairo is the scene of a preparatory peace conference and the target of bitter hostility in some other Arab countries.

The simplest explanation would seem to be a robbery. Mr Holden could have been picked at random as a victim by thieves waiting at the airport. They might have seen him cashing travellers' cheques and that one of them could have offered his services as a taxpayer.

If this was the case, the murderer was almost certainly pre-meditated. But pre-meditated shootings are extremely rare in Cairo and when they do occur they almost invariably result from a family or amorous quarrel. This has led the police to ask questions about Mr Holden's private life, and to ask his friends in Cairo (most of them very much members of the Egyptian establishment) whether he had any known enemies. The answers have so far been negative.

But if the criminal police are inclined to suspect a political motive, the political police have yet to find a convincing one. Mr Holden was a respected writer on Middle Eastern affairs, with a certain sympathy for the Arab cause and a certain distaste for leftist regimes like that of South Yemen. But his writing stopped well short of the virulent and sordid provoked even a verbally, let alone physically, violent response.

backs of Madinat Nasr (Nasser City), a new suburb built in the desert.

Mr Holden was lying on his back, although he had been killed by a single shot fired into his back at close range six inches below the collar. The bullet, which had passed directly through his heart and emerged from his chest, was lying on his stomach.

The fact that it had passed through the body at an angle downwards has led the police to believe he was probably killed while sitting in the front seat of a car by someone sitting behind him. Since the car would presumably have been driven by someone else, this suggests that more than one person was involved.

The theory is that Mr Holden, who had arrived from Jerusalem via Amman on the night that he was killed, may have been mistaken for an Israeli.

A special team led by some of the highest ranking police and security officers in the country has been formed to supervise inquiries. Egyptian police officers have flown to both London and Amman to inquire into Mr Holden's background and contacts in the hope of unearthing a possible motive.

The Sunday Times is co-operating fully. Two senior members of the editorial staff, Mr John Berry and Mr Cal McCrystal, have been in Cairo since Sunday while two others have gone to Amman. Mr McCrystal returned to London to visit with Mr Holden's body.

Mr Holden is known to have arrived at Cairo airport about 11 pm on Tuesday, December 6, to have obtained an Egyptian entry visa and changed \$200 into Egyptian currency. He did not check into any hotel, and it is not known how he left the airport. His body was found at 8 am next morning in a

room at a local guesthouse.

In times of a shortage of skilled labour, job reservation has led to the ludicrous situation where for example, blacks employed illegally as bricklayers have used garden trowels instead of proper 'builders' tools.

Similarly, black house painters can apply for undercoat but not the final coat which usually means that house buyers get either an undercoat or a top-coat of paint but never, as a rule, both.

Job reservation is to remain in the building trade which has been one of the industries hit most severely by the economic recession. It will remain also in the mining industry which is dominated by the ultra-conservative Mineworkers' Union.

But in future blacks may work legally as passenger lift attendants—although they have done so illegally for years—in all categories of the clothing industry which is largely a black trade anyway, the shoe industry, furniture, the wholesale meat trade and also do certain work in the liquor and catering trade.

Mr Botha's repeals have not yet gone so far as to make it legal for a black to run a pub in a white area.

S Africa scraps half its job reservation laws

From Ray Kennedy
Johannesburg, Dec 15

South Africa is to scrap half of its remaining job laws, the statutory controls which determine what work a person may do purely on a basis of colour.

Mr Fanie Botha, the Minister of Labour, announced in Pretoria that job reservation in 12 of the 25 remaining categories of work will be dropped. Discussions on suspending two other categories are continuing.

Only one per cent of the labour force, about 117,000 workers, are now affected by job laws, Mr Botha claimed.

However, the thorny question of free collective bargaining for black workers through recognized trade unions remains unsolved. A commission of inquiry, the Wiehahn commission, which is expected to report early next year, may make recommendations. It will also make recommendations about the job reservation categories that remain law.

In anticipation of the commission's report, Mr Botha said: "The question arises whether statutory job reservation is still the correct mechanism to protect minority groups."

Although the removal of the job laws in many cases only legalizes a situation already

existing, it is a brave move by a government which is at a time when unemployment both among whites and blacks is becoming serious.

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Political violence in Turkey claims two lives

From Our Correspondent
Ankara, Dec 15

A wave of violence in Turkey claimed two lives and injured nearly 60 others yesterday as the country waited to see whether the Government of Mr Suleyman Demirel, further weakened by new resignations, would decide to resign.

In Ankara 50 people, most of them left-wing students, were injured this morning when a powerful explosion charge went off in a cafe. Sixteen were slightly hurt and hospital sources said that two of them were in critical condition.

Later today Mr Huseyin Ucar, said to be a member of the youth organization of Mr Demirel's Justice Party, was shot dead outside the party headquarters. Angry Justice Party followers stormed a building housing the Turkish Chamber of Architects and Engineers near by, where Mr Ucar's attackers were thought to have sought refuge.

Korchnoi has to settle for draw against Spassky

Belgrade, Dec 15—Boris Spassky, a pawn down in a difficult end game, salvaged a draw against Viktor Korchnoi in their ninth chess game tonight.

Korchnoi now leads 6½–2½ in the match to decide who will challenge Anatoly Karpov for the world championship. These were the moves of the game:

Korchnoi White, Spassky Black: Dutch defence.
1 P-Q4 P-Q4
2 N-KB3 N-B3
3 P-K4 P-K4
4 P-Q5 P-Q5
5 P-QB4 P-QB4
6 P-B3 P-B3
7 P-K5 P-K5
8 P-QN4 P-QN4
9 P-QR4 P-QR4
10 P-QN5 P-QN5
11 P-QR5 P-QR5
12 P-QN6 P-QN6
13 P-QR6 P-QR6
14 P-QN7 P-QN7
15 P-QR7 P-QR7
16 P-QN8 P-QN8
17 P-QR8 P-QR8
18 P-QN9 P-QN9
19 P-QR9 P-QR9
20 P-QN10 P-QN10
21 P-QR10 P-QR10
22 P-QN11 P-QN11
23 P-QR11 P-QR11
24 P-QN12 P-QN12
25 P-QR12 P-QR12
26 P-QN13 P-QN13
27 P-QR13 P-QR13
28 P-QN14 P-QN14
29 P-QR14 P-QR14
30 P-QN15 P-QN15
31 P-QR15 P-QR15
32 P-QN16 P-QN16
33 P-QR16 P-QR16
34 P-QN17 P-QN17
35 P-QR17 P-QR17
36 P-QN18 P-QN18
37 P-QR18 P-QR18
38 P-QN19 P-QN19
39 P-QR19 P-QR19
40 P-QN20 P-QN20
41 P-QR20 P-QR20
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65 P-QR32 P-QR32
66 P-QN33 P-QN33
67 P-QR33 P-QR33
68 P-QN34 P-QN34
69 P-QR34 P-QR34
70 P-QN35 P-QN35

OVERSEAS
Army agrees up Aquino after court

If fire does break out...

* Get everybody out and alert neighbours.

* If you live in a flat and have to get out, use the stairs—not the lift.

* See if you can tackle the fire yourself—be prepared by having buckets of water handy or your garden

hose attached to a water supply. Do not use water on electrical fires until you've switched off.

* If things look like getting out of hand, close the door on the fire, dial 999 and ask for assistance. Above all don't risk your life.

CUT THIS OUT AND KEEP IT.

حکم من اصل

ISSUED BY THE HOME OFFICE AND THE SCOTTISH HOME AND HEALTH DEPARTMENT.

OVERSEAS

Army agrees to hold up Aquino trial after court's protest

From Peter Hazlehurst

Mandalay, Dec 15.—The Supreme Court of the Philippines tonight challenged the rule of martial law and called on the Army to suspend immediately the military trial of Mr Ferdinand Aquino, the Opposition leader.

Mr Aquino, President Marcos's main political rival who was sentenced to death by military tribunal last month, and his lawyer, Mr Fred Castro, the Chief Justice, issued the court message to the Army tonight.

In a sharp attack on the country's military courts, the Chief Justice and the other 10 judges on the bench proclaimed that "the Army had shown a complete lack of respect for justice" when the tribunal sentenced Mr Aquino to death, aware that a motion was pending in the Supreme Court.

Earlier this month, President Marcos, aware of hostile reaction in the United States to the death sentence, instructed the tribunal to reopen the Aquino trial, but his rival has asked the Supreme Court to restrain the tribunal's powers and transferred the case to a civilian court.

Today, after examining the opposition leader's petition for habeas corpus for four hours, the Chief Justice addressed the Solicitor General, Mr Estelito Mendoza, who is representing the military tribunal: "I want counsel to listen to this very carefully. It is the unanimous sense of this court that the respondent commission [tribunal] refrain from convening or conducting any proceedings until after this court shall have resolved the motion for the issuance of a restraint order." And this court expects the commandant to respond.

Later, Mr Mendoza informed the court that the Army would comply with the request. The Supreme Court will reconvene in 45 days to hand down a final ruling on Mr Aquino's plea.

Mr Castro pointed out that the military tribunal had sentenced Mr Aquino to death on November 25, aware of the petition for habeas corpus.

The military commission showed a lack of respect and it was apparently unaware that there is only one supreme court," he declared.

In a further blow to the president of President Marcos,

Headway in Salisbury talks is claimed

From Our Own Correspondent

Salisbury, Dec 15

Another of the judges, Mr Claudio Teekinkes, commented on the tribunal's surprising speed in sentencing Mr Aquino to die before a firing squad.

"Can you tell us why the Military commission acted in such haste?" he asked Mr Mendoza.

Further, was a military tribunal

capable of providing civilian

political detainees with a fair

trial?" he asked.

A military commission which carries out its marathon hearings in between its military

functions cannot be expected to give the accused his judicial rights," he commented.

This case was pursued with

haste and ended abruptly. The

military tribunal acted as though there was no restraining order pending in the Supreme Court.

Mr Justice Antonio Barredo said he had been deeply

shocked by the tribunal's decision.

"A petition was pending by the second vice-president of the United African National Council, the organization led by Bishop Abel Muzorewa.

The communiqué also stated

that all delegations expressed

concern that the principle of

confidentiality had been

breached and agreed that it

should be adhered to in future.

This was a reference to today's *Zimbabwe Times*, which carried a text of a position paper prepared by the ANC (Sithole) on Mr Smith's demands for constitutional safeguards.

This document stated that to entrench these safeguards in a constitution would be reviewed by a committee of

experts. If the sentence was upheld, then he could bring his case to the Supreme Court, Mr Barredo said.

"Everything is unusual. We

are talking about the authority

of this court and we now find

that the right of the petitioner

to appeal to this court is in

the hands of the President."

Mr Aquino was found guilty

of murder, subversion and the

illegal possession of arms. All

of the alleged offences were

committed before Mr Aquino

became a senator, was arrested

five days ago and President

Marcos imposed martial law

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Seven of the judges claimed

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Uranium workers will vote on

a recommended total and per-

manent ban on the handling of

nuclear fuel, withdrawal of

labour and a ban on supplies to

uranium mines. The poll is ex-

pected to be concluded by the

end of January.

The union move came only

five days after Mr Malcolm

Fraser's conservative coalition

won re-election in a landslide

victory over Labour.

If the uranium workers force

the union ban, the Govern-

ment would face a direct chal-

lenge to its authority and pos-

ible violence if it went ahead

with its threat to use troops

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PARLIAMENT, December 15, 1977

Mr Callaghan states Czech has been embroidering story

House of Commons

Mr Stephen Hastings (Mid Bedfordshire, C) refused to apologise for raising matters connected with Mr Frolík in the House on Wednesday night, after the Prime Minister had said his speech had been calculated to do a lot of damage to the Government.

The matter had been looked into three years ago.

The matter was raised during Prime Minister's questions by Mr Wyn Roberts (Conway, C) who asked: Could Mr Callaghan confirm today's press report that the Government already have the Frolík tapes about which Mr Foot seemed to say so little last night? It would be right for us to have an independent inquiry so that persons named can have an opportunity to clear themselves.

Mr Callaghan—There is as is well-known in this House, no ministerial responsibility for press reports. And I have received no answer to my question. I was extremely surprised by the allegations made. Mr Hastings said he had been considering the matter for months.

It is an accepted and well-known convention, which is usually accepted, though not by one or two, that MPs do not raise these matters across the floor unless they have been presented to them.

Mr Hastings—At no time made any approach to me on these matters.

The general allegations have been floating around since January 1976 and have not yet been investigated in the past.

I have nothing to comment on the allegations at all except to say that I think it disgraceful that members of the public should be put in that position.

Mr Hastings—This is the kind of allegations, made without any support by any reliable witness.

Mr Eric Heffer (Liverpool, Walton, Lab)—Has Mr Callaghan not been given the facts?

Mr Callaghan—Yes, he has.

Mr Hastings—He has not been given the facts.

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Tell him something about yourself, and ask him anything you like about the Army.

Remember, you're going to spend around forty years working for your living.

It would be tragic if your most vivid memory were of a missed opportunity.



Army Officer

Harlow 30 years after: how the dream stands up to reality

If a visitor ignorant of Harlow's history and vital statistics were to look out from the top floor of the headquarters of the publicising firm of Longman's, he might find it hard to credit that he was near the heart of a town of more than 80,000 people. Within less than five minutes' walk, and in most cases visible from Longman's, are the following facilities: a cycle track, a boating centre, an artificial ski slope, a sports centre (with stadium, athletics track, squash courts, etc), a park and an indoor swimming pool. A golf course is just across the road.

In many ways a Utopian place to work. But what is it like to live there? It is now just 30 years since some 6,400 acres of prime Essex farmland, embracing four old villages and around 4,000 people, were designated in 1947 as a site for one of the eight new towns intended to relieve the congestion of London. The architect Sir Frederick Gibberd was commissioned to draw up a master plan for a town of 60,000 people. In 1952 he produced a revised master plan, increasing the population to 80,000, mainly by building to higher densities.

This plan is now virtually completed. An application to expand the town by a further 764 acres, mainly to accommodate the married children of Harlow's first generation, was rejected in April following a public inquiry. And last year a covered, three-storey shopping centre which would provide the final quarter of the town centre is—apart from an enlargement of one of the two industrial estates—the only major project still hanging fire and likely to make a substantial difference to life in Harlow.

Having been brought up in the vicinity, and having long been fascinated by the British concept (fathered by Ebenezer Howard) of planning a fully planned new town on a green site, this seemed a good time to try to assess to what extent the courage of Harlow's pioneers—both planners and planned—had been vindicated. In the course of six day-long visits over the past 12 months, I have talked to what I hope has been a cross-section of the community.

A main aim of Sir Patrick Abercrombie's Plan for Greater London of 1944 was to create a ring of balanced, self-contained new towns which would disperse people and industry from the overcrowded capital and reduce the burden of commuting both on people and on an overburdened transport system. The subsequent New Towns Act of 1946 provided the administrative and financial tools to build them.

In Sir Frederick Gibberd's now rising 70, Harlow was lucky to have a master planner of warm humanity, with a deep love of the English landscape.

The problem with new towns is that being built over a short period of time, they lack the visual variety of old towns", he mused at his home on the edge of Old Harlow. "It seemed to me, when working on the original design, that the town boundaries could be used to give Harlow its distinct individuality."

There was nothing terribly original in the way Sir Frederick planned Harlow as four main areas of housing, a town centre, and two industrial estates; nor in the grouping of housing to form neighbourhoods with their own shopping centres and social services, including schools. These were ideas around at the time, he reminds one.

What gives the town its personality is the careful use he made of the existing topography, with its slopes and valleys, in designing how the town should be arranged. Existing old houses and trees were equally respected, and some 50,000 new trees have since been planted.

Most towns have a congested centre which peters out into a loose sprawl at the edges. In Harlow, the landscape belts extend into the town centre from the open countryside. "Everyone has natural landscape within walking distance," said Sir Frederick with paternal pride.

Many of Harlow's inhabitants have harsh things to say about certain aspects of the town, and some just loathe living there. But most of the population seems to be deeply attached to the green "wedges" as they are called.

For example, at the main police station at the edge of the town centre, Superintendent Williams urged me: "Look out of that window. What a delightful sight! Woods, playing fields. Often we see people on horseback." Pausing in the rain at a neighbourhood shopping centre Mr Barry Smith, a bookbinder, aged 31, thought that to build on the green spaces now that the expansion plan had been rejected would "ruin the concept of the place".

To see children riding, playing with kites or chasing butterflies on those wedges in spring or summer is to see Gibberd's vision bearing fruit, and a moving sight it is. The town as a whole makes a peculiarly harmonious impression, not least when first viewed from the A414: it is as planned at the periphery as at the centre.

Despite all that green space has not been used prodigiously where Harlow has some 80,000 on 6,400 acres, Woking's 76,000 occupy 15,000. Colchester's 76,000 use 12,000 and Rotherham's 84,000 take 9,000 acres.

Even Harlow's critics would have to admit that into its building went a great deal of idealism and a great deal of efficiency.

The large task of implementing the master plan fell to the Development Corporation, set up under the 1946 Act with sweeping powers. These were so effectively used that in 1975 it was able to hand back to the Treasury £5m of accumulated profits from commercial and industrial leases.

Harlow Urban District Council was not set up until 1955, when the population was around 26,000, and has been consistently Labour-dominated. "The biggest problem was that, in the course of a very short time, we had to provide all the various facilities that other towns have developed over a much longer period," said Mr Alan Medd, the council's bushy-browed, white-haired general manager. The Corporation, which may be wound up around 1980, will be handing over 17,000 houses to the council next spring, and commercial and industrial assets will eventually be transferred to the Town Commission.

To what extent does the reality of Harlow reflect the idealism which gave some impetus—symbolic perhaps, by the high quality sculpture by artists like Moore, Hepworth and Frink with which the Harlow Art Trust has enlivened the townscape?

One aim, framed to differentiate new towns from housing estates and suburban development, was the creation of a self-contained and balanced community for working and living.

Ideally, therefore, a minimum of inhabitants would earn their living elsewhere. In fact, the total of outwards commuters has risen from 20.8 per cent of the workforce in 1976 to 28 per cent in 1975, according to a Development Corporation survey.

The 11,000-odd commuters, some 4,400 worked in London (a striking 17 per cent saying that they did so for the London weighting on their pay), the rest in such nearby towns as Hoddesdon, Epping and Bishop's Stortford.

One could view this either as disappointing, or a great improvement on the pattern in London. One who takes the latter view is Mr David Wright, company secretary of John Marchant Metals, and current president of the New Towns Industrial Group Association. "Eighty per cent of our employees are living within four miles of this factory," he said. "At our Hatton Garden office, they live within a radius of 30 miles."

Some of the firm's 200-odd staff who moved to Harlow in 1955, when it was, Mr Wright recalls, still "very much wobles and bicycles", had never seen a car before. A dozen or so went back, not liking what they had been cross-section of the community.

The flow of workers is two-way: an estimated 6,500 people who work in Harlow live outside; some, because they have always done so, others because they prefer to live in a village or older town, or because they have found it easier to buy a house outside Harlow (the proportion of owner-occupied houses in Harlow is at 24 per cent, less than half the national average but growing as tenants buy their rented accommodation). "Employers would feel that insufficient attention has been paid to providing accommodation suitable for senior managers," said Andrew Bardsley, general manager of the Development Corporation.

The eight comprehensive and 30 primary schools have suffered from the tendency of their neighbourhood to be occupied, as building of the town progressed, by couples with children of roughly the same age. Harlow's demographic structure is only gradually approaching normality. So far, there is a clear pressure on them, then they gradually empty. In one case a school has been converted to adult education. But generally they are more than fully used, serving as adult education of youth centres and meeting places in the evenings and holidays. There are also some heavily subsidized neighbourhood meeting rooms, used for purity, purposes.

The manufacturing industries which originally made it possible for so many people to live in this relatively self-contained community are concentrated in the light, engineering and electronic sector. By deliberate Corporation policy, no single firm has been allowed to dominate employment: ITT has, at 10 per cent, the largest share of the workforce. Other firms include Cossor, Revertex, Pitney-Bowes, International Distillers and Vintners, and Cyclops, BP, Longman's and Rank. Hovis McDougall are prominent in the office sector: a recent addition to the Chase Manhattan Bank, not after all to mention their headquarters from the City to a large new office building in the town centre, after firm indications that it would do so, is a keen disappointment to the town as a whole.

Much of the willingness of industry to move to Harlow has depended on good relations with the Development Corporation, where the buck has firmly stopped. A more bureaucratic approach is feared when the New Towns Commission takes over.

Vandalism is a sensitive topic in Harlow, as the Corporation as elsewhere. There is quite a lot of it, but not as much as reports sometimes suggest. "I work in a chemists, and the 'outside' litter bins have been put through the window six times in three years," said a woman eating soggy chips at Woolworth's, where the gens was out of order yet again "due to vandalism". A youth in the Painted Lady pub described how he used to break into parked cars on a hill and roll them down it. "I'm not a criminal, but there was nothing else to do."

In fact Harlow boasts every



The Clarkhill area: clearly based on an interesting idea, but...

have bought a pleasant terrace known form of cultural hobby 33.8, so Harlow's was between the town centre and social club—some 600 in all. But one could see his point. The

centres were quieted by arson in 1975 and 1976. But Eric Watts, the youth organiser (employed by Essex County Council, which is also responsible for all schools), a coffee bar has only recently opened in the centre, and many young people cannot stand young

Green wedges do not drive out all sin. But at 45 per 1,000, Harlow's rate of indictable offences in 1975, for example, compared favourably with other large towns: Colchester's was 51 Chelmsford's 50, and Basildon's 49, all having a lower percentage of young people. The rate for Essex as a whole was



The Urban District Council's general manager Mr Alan Medd in the town centre: dreary down-market chain-stores, and like a morgue at night



Rosemary Jenkins: from West Ham to a house by a spinney for £11,000

(a widespread comment).

The second generation probably takes Harlow's rates more for granted. That does not mean they do not benefit from them. Harlow is not Utopia. But it is a rather successful realization of a British idea which has aroused much interest and some successful emulation abroad. On balance, its inhabitants have pleasanter surroundings, better living conditions, social services and recreational facilities, and a higher chance of playing a role in a community in Harlow than in most towns of comparable population, in most parts of London and in the deprived inner areas of our major cities.

Roger Berthoud

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The Other Cinema

If anyone could ever really explain, even *post facto*, what makes a wild, runaway box office success like *Star Wars*, the film business would be a very different game and our lives would not be littered with spin-offs and sequels and counterfeits and daughters-of-Emmanuel.

Two factors, though, have clearly played a part in the *Star Wars* miracle. One is that it is a film not made by a committee of accountants trying to devise a checklist formula out of the inextricables of box-office attractions, but a single person's creative fantasy, which by grace of luck and a Century-Fox he has been able to realize. George Lucas, the writer-director, belongs to the group and generation (thirtyish) of Francis Ford Coppola, Martin Scorsese and Steven Spielberg.

Lucas says that even before *American Graffiti* (1973) he had the idea of doing a space fiction movie on the classic, elemental lines of *Flash Gordon*. Since the rights to *Flash Gordon* were tied up, he was obliged to research the whole archaeology of science fiction and come up with his own story.

The story—and this is a second major factor in the *Star Wars* phenomenon—synthesized a whole body of the most potent myths on which we have all been reared.

Lucas's uncompromised, essentialist characters—heroes, villains, beautiful princesses and venerable seer—with their odd dialogue, at once formal, stilted, and comically公式化, are the very stuff of strip cartoon. But there are much broader references: the golden robot, the hooded midgets in the desert, the great, fearsome, whimpering simian who is navigator of the spacecraft, are none other than reincarnations of the Tin Man, the Munchkins and the Cowardly Lion from *The Wizard of Oz*. When the prim gold robot is in company with his ministerial protégé, Astro-Droid, with its expressive range of electronic chirps and grumbles, they are transformed, again, to Stan and Ollie (John Williams's score meanwhile runs the gamut from biblical epic to *Lawrence of Arabia*, and finally brings us home to *Ruritania*, as the Musketeers stride side by side through the paraded ranks in the courtroom where their restored Princess is enthroned).

It is an anthology not so much of actual scenes as of almost subconsciously recalled sensations and sentiments of the film-goer's memory. May be it is this more than anything that inspires such fierce loyalty in audiences. People who have already seen the film snappishly defensive if you have the temerity to say things like "It's very silly, of course," and retort "But it's such fun".

And, indeed, it is. *Star Wars* unashamedly restores all those qualities which film-makers and audiences have almost forgotten in their chase after the sordid sophistication—brightly dressed characters; a sorry tale of a hero treading at such a pace that he leaves no time for questions; a world of fantasy so confidently portrayed (*Star Wars*' special effects achieve new heights of technical expertise) that there is no thought of disbelief; a genuine escapism that obliges you to make no connections at all with real worlds.

Not least, *Star Wars*, for all its own technological accomplishment, heartens the strong current sentiment of mistrust of technology, which has found its most notable expression in the proliferation of films of the occult. In this future world, the technological marvels (already showing signs of wear; the heroes' spacecraft

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There is a lot of plot, which involves the discovery of two sunken treasure hoards—one of seventeenth-century gold and the other of twentieth-century morphine—in the same spot. It is all ingeniously conducted to a finale of entertainments since 1772. Originally the New Rooms in Ranelagh's Hall, from 1905 to 1969 the Scala Theatre occupied the site, which has been a place of entertainment since 1772. Originally the New Rooms in Ranelagh's Hall, from 1905 to 1969 the Scala Theatre occupied the site, which has been a place of entertainment since 1772.

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Countdown to a new era in space travel

In negotiations, separate from the arms limitations talks, American government officials are seeking an early agreement next year with the Russians to restrict the development of "killer satellites".

The importance of them, Iaching an understanding, cannot be overestimated for the outcome could have a profound influence on the series of manned spaceflights by the National Aeronautics and Space Administration (Nasa), starting in just over 18 months' time with the reusable space shuttle.

Killer satellites are small spacecraft. They carry an explosive charge which destroys itself and any nearby satellite in detonation. Its significance becomes apparent in the light of the plans for the shuttle.

Within six years this remarkable new form of space transportation should be making 60 flights a year of between one week and 30 days duration. Eight vehicles have been ordered. Five will be launched and returned to Cape Canaveral, Florida, and three at the Vandenberg range of the United States Air Force, in Northern California, for circuits of the earth crossing Polar regions.

A total of 445 flights in less than 10 years are expected, compared with 31 manned journeys made in the combined Mercury, Gemini, Apollo, Skylab and Apollo-Soyuz missions.

Each shuttle could carry a crew, a scientific research team, and a payload of up to 30 tons.

There are many ways in which this phenomenal craft opens a new era in space travel and exploration. But they all hinge on the fact that the new vehicle, consisting of the Orbiter craft (this resembles a conventional jet aircraft and which is strapped to two solid booster rockets) slashes the cost of launching men and materials into

The cost-to-weight ratio has hovered at about \$1,000 (about £550) per pound of payload for a decade. The shuttle was designed to cut this launch cost down to \$100 a pound. With the first Orbiter and rocket motors in the hands of Nasa engineers for testing, the realistic figure appears to be about \$150 a pound of payload to put into orbit.

Advances in rocket technology have made all this possible. The pressure developed in the main rocket motors, for example, will increase by 1,000 pounds per square inch today to as much as 3,000 pounds per square inch.

Big improvements in the materials used for these have been essential to make the new performance possible. However, the key to the economics lies in the intention of reusing each shuttle system over 60 times, refurbishing them in about two weeks. They will return to earth like rather cumbersome gliders.

A good sail plane can have a lift-to-drag ratio of between 30 and 40 to one compared with a meagre four to one for the Orbiter. Hence they will land at Cape Canaveral on a runway 15,000 feet long (3.8 miles), with a 1,000ft overrun at each end. Descent on the glide path must be perfect, because at this stage Orbiters are not powered and cannot manoeuvre for another approach.

The major overhaul job will be to check the thousands of individually cut silicon tiles

Pearce Wright

Science Editor

which cover the aluminium body of the vehicle in a thermal insulating mosaic.

This protective skin is equivalent to the material on the bottom of the pear-shaped Apollo craft which prevented astronauts from being scorched by the heat of reentry. However, that material could only be used once. The new material has such extraordinary heat characteristics that one side can be held in the palm of the hand, while the other glows at a cherry red 600 degrees centigrade.

Many other developments contribute to make the shuttle system reusable and thus a cheaper transport system.

There is an added cost to be considered with existing launch vehicles. The development and construction of a satellite costs about \$20,000 a pound weight because the designer guards as far as possible, against failure of equipment and electronic circuits by an elaborate method of duplication.

Great attention has also been paid to devising miniature electronic detectors, recorders and radio transmission apparatus to squeeze the maximum amount of usefulness out of a particular satellite. To compensate for the limitation of the satellite, the ground receiving stations became the familiar huge dishes highly sensitive to radio signals from space.

In principle, the shuttle could change all that. Very large satellites are now possible with one station beaming to thousands of tiny receiving aerials on the ground. One research group has even proposed a personal receiver the size of a wrist watch that would allow two-way transatlantic telephone calls to be made as part of a routine telecommunications service.

The original satellite communication links for a global telephone system and for television, which most of us seem to take for granted, was much more speculative than the ideas now being forecast for the era of telecommunications, the first telephone, radio, television and satellite communications.

Transatlantic communications are one service in which prices have fallen due to satellites. With the reusable spacecraft, satellites could almost be tossed into space like throwing a football onto the field from the touchline. More importantly, the shuttle system can be used to repair a satellite or return it to earth. A special robot tug is being designed to move out from the shuttle to tow any such spacecraft in need of repair.

There are disadvantages in relying on one or two very large satellites for communications. The most obvious is the vulnerability of the system to jamming, or to destruction by killer spacecraft.

The Russians have carried out extensive experiments on both these procedures, probably as a response to the effective reconnaissance satellite programme conducted by the United States services mainly from Vandenberg.

The application of such techniques to disrupt some future commercial operation cannot but raise some anxiety.

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The Why, When, Where and How of Hine Cognac

How Hine?

Hine (pronounced to rhyme with the English 'fine') is not just one Cognac. There are Hine AA, Hine VSOP, Hine Antique and Hine OV.

Other Cognacs have similar designations. So why Hine? Connoisseurs will know that within these designations, each Cognac distiller has his own personal latitude with subtleties of taste and blend.

The best way to discover these in Hine is in the simple Cognac snifter. Coax the Hine to its right temperature by rolling the snifter gently in your hand. Then slowly inhale the bouquet before releasing the Hine to your palate.

The subtleties of Hine mean that only AA should be used for mixing. Some connoisseurs consider Hine AA too good even for mixing. Never mind. Each connoisseur to his own.

Become a connoisseur. Ask for Hine.

Hine

The Connoisseurs'

Cognac.

For an informative leaflet on Cognac, send a postcard to Dept. TM, 6th Floor, 100 London Street, London SW1Y 4EC.

As the trade unions cast a critical eye on Britain's methods of investment

Lifting the lid of secrecy surrounding the role of City institutions

The Duchess in Alice in Wonderland said "If everybody minded their own business, the world would go round a great deal faster than it does."

Economic life, however, cannot really proceed on the basis proposed by the duchess—however some today may echo her views.

The business of financial institutions is inextricably linked with the economic structure of the country, and it is the concern of all us—politicians, employers and unions—as to whether those financial institutions function in the most effective way to contribute to that prosperity.

Although today there is more public awareness of the economic structures, of the importance of an improving balance of payments, of the need for a growth in investment and in the GNP, what is lacking is a public awareness of the role of financial institutions themselves in this connection.

Public knowledge of the financial institutions is often confined to comment on alleged City scandals, but that is the case is symptomatic of the fact that little is known in the outside world about the City except abuses that occasionally occur.

In many ways the City of London—the shorthand term for the country's financial institutions—is a popular target for criticism. Indeed, its past obsession with secrecy and mystique surrounding what are in many cases relatively simple operations, have compounded public ignorance of their activities and in some cases generated uninformed hostility.

One of the effects of the establishment of the Committee to Review Financial Institutions, Sir Harold Wilson, has been both to publicize the facts and also to make the City institutions themselves more aware both of the need for self-

examination and the need to put across in a public way what they do and why they do it.

This is not to say in any way that all that was wrong with the City was its inability to publicise itself (although few outside the City appreciated the value of the banking and insurance contribution to the balance of payments), but that legitimate criticisms of the way in which the institutions work in their relationship with each other, with manufacturing industry and with the Government, have rarely been the subject of informed public views.

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RUSSIA'S ECONOMIC PROBLEMS

The Soviet Union is heading into difficult times. Politically and economically there are stresses ahead which are going to test the system and its leaders. Mr Brezhnev's health is not good, and the problem of the succession shows no signs of being solved. This week he was absent from an important meeting of the Supreme Soviet, and he has cancelled a meeting with Herr Brandt which was planned for today. Even if he is merely temporarily indisposed, his absences are a reminder that he can no longer carry a full work load. The system can run for some time under these circumstances because it suits almost everybody to have him remain as the keystone in an arch-of-power which might otherwise become unstable, but there must gradually be a price to be paid in terms of long-term decisions delayed or fudged.

This is particularly true in the economy, where the prospects for the next decade are not good. Some of the figures announced on Wednesday must already be discouraging for the Soviet leaders. Industrial production is planned to grow by only 4.5 per cent next year, which is below this year's plan and considerably below the annual average envisaged in the current five-year plan. Real income per capita is planned to rise by 3 per cent compared with an average of just over 4 per cent envisaged in the plan. The harvest has turned out to be about 17 million tons below predictions, which points to purchases approaching 15 million tons from the United States.

None of this spells immediate trouble but together with other factors it suggests that growth rates will continue to decline, and that the Soviet Union will have difficulty adjusting itself to new demands on its system and its resources. Until recently it could ensure steady growth by drawing on its huge reserves of raw materials and rural labour and devoting about 30 per cent of its gap to investment (compared with the United States 16 per cent in 1975). Now the reserves of labour are drying up, raw materials are becoming more expensive, consumers are demanding more, and the system has not yet found a way of increasing productivity sufficiently to compensate. In fact growth in output per man hour has declined steadily, and so has output per rouble of fixed capital, especially in agriculture, with some advanced sectors, particularly in defence, but with low productivity by American, West European or even British standards. Neither Russia nor Eastern Europe has been left unscathed by the world economic problems of the 1970s.

To reverse this trend the Soviet Union needs new incentives, which means more consumer goods and new systems of organization. Both require significant adjustments to the system. It also needs more modern machinery, a significant amount of which will have to be bought for hard currency. But something like half the Soviet Union's foreign currency earnings now come from oil, and there is a big question mark over its capacity to go on

exporting large quantities of oil. It has huge reserves but so far they are not being found and developed fast enough.

Western experts still disagree on whether a serious oil shortage faces the Soviet Union in the 1980s but some stresses seem inevitable. Even if there is enough for the Soviet Union itself, which is not certain, there is unlikely to be enough to continue earning hard currency at the present rate while also supplying the rising needs of eastern Europe, which is already having to spend about \$300 million on buying oil from other sources. And most East European countries find it even more difficult than the Soviet Union to earn hard currency. Among other things, therefore, the Soviet Union will have to decide how much tightening of belts in eastern Europe it can risk, and how much its strict economic interests must be sacrificed for the sake of its political commitment to the area.

Thus before long the Soviet Union must either find ways of making better use of its huge resources in materials and manpower or take some fairly painful decisions on priorities between, for instance, living standards and defence. Very probably it will have to do a bit of both. The speeches of the leaders show they are aware of these problems but do not reveal how they are going to tackle them. Equally unclear is whether the system is going to prove able to provide a smooth transfer of power to a new generation.

Political activity of judges

From Mr Peter Thomson

Sir, One can only applaud the initiative in your article on the challenge from developing nations (William Rees-Mogg, December 12) as a step towards the creation of a better understanding of world problems. But your argument about the supposed threat to our living standards if we do not take full account of cheap manufactured exports from developing countries continues to portray an arena of confrontation which is unfortunate.

You cite, for example, the electronics industry, and the unequal cost of world labour which makes imports (mainly produced "off-shore" under licence to large firms) from developing countries competitive. This small but growing

manufactured export (which has in the short run been one of the more successful in the total UNCTAD list) is now threatened by a technological breakthrough in the industry which will withdraw production back to industrialized countries, particularly processes of assembly in developing countries, become cheaper than using foreign labour overseas.

The concentration of power based on science and technology thus has the capacity to shift rapidly the labour composition in a world industry. This is the dilemma of those countries trying to seek their rightful place in the sun".

I am content to leave to what happens hereafter judgment of my personal actions in this matter, which were, I may have considered, irrelevant to the point to be decided. If not answering letters amounts to statutory misbehaviour, then I misbehaved. I

No one has been able to say in what way my pleasurable activities were connected with my duties. This is the crux of the matter. It will be the first time a judge has been removed from office when no such connection has been made. It would thus be a dangerous precedent opening the way to secret actions and the consequent abandonment of the doctrine of the independence of the judiciary.

What "arms of battle" have countries which produce such goods? Surely, we must begin to realize that the importance of improved market access is linked directly to the general well-being of the world economy, not just a threat to our living standards. Recovery from the world recession is much slower than has been expected, and this has severely hit the reduction in demand for goods and services from developing countries.

Only a small proportion of the deterioration in their financial position can be attributed to the oil price increases, in contrast to how it has been portrayed. Private banks stepped in to help these countries "ride out" the recession by borrowing.

Cries of repayment in many of these countries and methods to cope with it have also reached their lowest ebb in recent weeks. In the face of delayed recovery in the world economy, developing countries have taken in a major part of the needs of developing countries in recent years, unable to emerge from the vicious cycle of the debt trap.

But were it not for that borrowing, the growth in many developing countries (particularly those of Latin America) which has helped to keep the recession from getting even worse would never have occurred. Twenty-seven per cent of United States exports go to the "non-OPEC" developing countries.

The idea that it was a stroke of a planning disaster in the Victoria was not deserved and a major rail / bus / coach / Under-ground interchange is the opposite of the truth: It would have been a planning disaster of the first magnitude to have produced such a monster. The idea of chucking down an immense transport interchange with all the additional road traffic that it would create in the Victoria area, where the existing level of activity and land value is very high, was rightly thrown out when it was last seriously examined, and it ought to stay in the waste-paper basket.

Mr Young's article also shows a hankering in relation to a revised Maplin project for "high speed public transport connection with central London, possibly by mono rail or tracked hovercraft". This sort of thing was popular among planning writers ten to fifteen years ago; but everywhere in the world where it has been seriously examined it has been discarded in favour of some more orthodox enthusiast would no doubt call it a "square solution" which would use the best form of planned transport we have or are likely to have for a long time, which is a high-class railway.

Yours faithfully,
R. M. ROBBINS, Managing Director (Railways), London Transport, 55 Broadway, SW1

London rail links

From the Managing Director (Railways), London Transport

Sir, The article by John Young entitled "Fast trains link Heathrow with West End" (UK Airports supplement, December 9) states the facts about the Underground link to Heathrow which is due to open next Friday, without indicating that this particular form of rail connection will be unique in any of the world's capital cities. But it does perpetuate notions which I had hoped planners would have dropped by this time.

The second requirement is that the rate of inflation should continue to be reduced. The whole of the sacrifice of the last three years would be wasted if the rate of price increases started once again to accelerate in the second half of 1978.

Against this background it is essential that the recovery should continue to be gradual and soundly based. Above all it must be within a monetary policy which avoids making a contribution to increased inflation and inflationary expectations. The revised figures for the money supply provided yesterday show that we are already above the limit of what is prudent in this respect. Mr Healey's further stimulus, when it comes, must not compound this imprudence.

The pessimistic projections about the economy in the medium term are based on the assumption that there will be no improvement in the underlying performance. Indeed, if there is no improvement in the steady

Insulating houses

From the President of the Institution of Mechanical Engineers

Sir, The proposal to spend £320m on improving the thermal insulation of houses is praiseworthy. Even Nature has her supporters and the more of the materials can be used for the purpose can be manufactured with a comparatively low expenditure of energy and are durable.

Consequently, there is a good prospect that the energy expended in completing the project will be more than recovered in due course, provided that the tenants who benefit do not take advantage of their low dissipation rate by becoming hot-house flowers and by learning to enjoy a 30°C ambient.

The retail outlets blame computers. Whatever the reason, it seems odd that a concern with a warehouse full of books it wants to sell cannot get one to a customer eager to buy.

Yours faithfully,
J. D. CABLE,
Glan-Hir,
Ynyslas,
Borth,
Dyfed.

Heavy breathing

From Commander E. K. Somerville-Jones, RN, and others

Sir, It was with interest that we read (December 13) about Commander Belton and team mounting the MOD Stairs in the crawler lane, while Admirals saluted by the fast. To this, we may humbly propose a solution. We would be more than happy to lend our office (26th floor) to Commander Belton and associates, in order that they may become as fit as we are now. On completion of their "training", they could return to MOD, able to cruise up the stairs with ease; not overtaking, but accompanying Admirals (though a respectful two steps behind). They might even be able to carry the Admirals' heavy briefcases.

We have the honour to be, Sir, your obedient servants
E. K. SOMERVILLE-JONES,
M. J. LARMUTH,
A. J. BENSTED,
R. W. W. CRAIG,
P. H. W. B. BLYTH,
C. J. STATT,
Royal Navy Presentation Team,
Room 2607
Empress State Building,
Earl's Court, SW5.
December 13.

We have the honour to be, Sir, your obedient servants
DERRICK WOOD,
Chairman,
The Defenders of Essex Association,
The Chase,
Paddlesham E End,
Rocheford,
Essex.
December 13.

It was against this background that I took part in a debate with Mr Benn, organized by the Cobden Trust, on "Socialism and Civil Liberty". I argued that socialism and freedom are incompatible: that political and economic liberty are inter-dependent: that with all resources controlled by the state there would be no independent decentralized ownership to support the writers, critics and reformers beginning of that important process.

Yours faithfully,
RITA CRUISE O'BRIEN,
The Institute of Development
Studies,
University of Sussex,
Sussex.

From Mr G. E. McWatters

Sir, I was very happy to read William Rees-Mogg's article (December 12) analysing some of the dangers the industrialized world is facing from developing countries.

It is a subject that has not been given adequate attention by either of the major political parties or by the CBI and TUC.

From whatever political stance

you take, it is only too easy either to talk of the inefficient lame duck industries of the past or of free trade or you tell the stories of unfair trading and the need to conserve employment.

For the past 11 years, I have

been closely involved in footwear manufacture, one of the industries

hardly now in eclipse. I realize I am

not alone when I talk to friends

of the textile and leather industries

in developing countries that the

industry is still growing.

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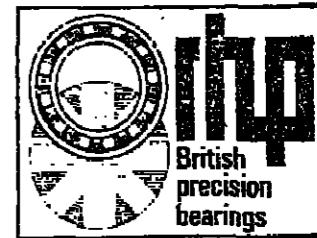
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new
monetary targets,
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THE TIMES

BUSINESS NEWS



Pessimistic view of jobs outlook in Bank of England secret document

By Melvyn Westlake

A secret Bank of England document, which foresees no "acceptable" way of substantially reducing unemployment in Britain for several years, has been revealed in *Tribune*, the newspaper of the left wing of the Labour Party.

The *Tribune* report seems certain to cause a political storm and should spur the debate over the demand for generalised import controls.

The author of the secret document, who is a Bank of England staff economist, apparently argues that to reduce unemployment to below the one million mark in the 1980s—that is, an average annual growth rate of more than 4 per cent—would mean disaster for the trade balance because British industry could not supply the extra demand and imports would be sucked in.

According to the *Tribune* report, the document says that even a more modest rate of growth—of between 3½ and 4 per cent—and cutting unemployment to 1.1 million within four years—is rejected.

Both the Treasury and the Bank of England are said to believe that export-led growth of much more than 3½ per cent per annum would place intolerable strains on manufacturing output.

The report quotes the document as saying: "We are driven to conclude that failing 'unconventional' policies to correct the balance of trade, the scope for reducing unemployment in the medium term is relatively limited, despite the assistance of North Sea oil. All that can be hoped for is a small but welcome fall in unemployment."

By "unconventional" policies the document appears to be referring to import controls along

the lines advocated by the Cambridge Economic Policy Group.

The views of this group are also considered in the secret document, and the case for import controls is rejected.

The "overwhelming" argument against import controls, the document says, is that the extra demand in the home market would lead to potential exports being "sucked back into the economy".

The secret document is also said to be talking about British industry.

It reveals considerable differences of opinion within the Treasury and the Bank of England over policy towards the exchange rate. These differences of opinion run along predictable lines.

On one side are those people who argue for a little stimulation for the economy and gradual depreciation of sterling. On the other, are the monetarists who advocate the maintenance of restrictive policies and a constant—or even small appreciation—of the pound.

The secret document, which is an internal discussion paper on medium-term economic problems, also considers what should be done with the extra national income from North Sea oil.

Here it falls back on a Treasury study which suggests using the money to repay international debts or to make room for a large amount of overseas investment.

Last night the Bank of England issued a statement confirming the existence of the document in question. However, they suggested that it was written by a junior economist seven months ago and was not a policy document. Nor did it represent the Bank's views.

German rescue measures fail to rally dollar

By Caroline Atkinson

Foreign exchange markets appeared yesterday to reject German measures aimed at holding down the soaring Deutsche mark against the dollar.

Sales of dollars began again almost as soon as the German Federal Bank announced the measures in the afternoon. After rising and falling erratically the dollar closed little changed from Wednesday's record lows.

In New York the pound closed at \$1.8452, compared with \$1.8478 the previous day.

Germany's measures consist of a half point cut in the discount rate and some controls on inflows of speculative funds into the country.

Before the Federal Bank's press conference the dollar picked up some of its gains in Germany since it will hit at the profitability and growth of exports.

which would revive the dollar and covering themselves. In the event the measures were something of an anticlimax.

Many people believe that the dollar has been driven down farther than makes economic sense. But no one in the markets is now willing to back that view by buying dollars.

In the past two and a half months the dollar has lost over 10 per cent of its value against the yen and the Swiss franc, and 7½ per cent against the Deutsche mark.

Since the beginning of this month the pressure on the mark has intensified. It has risen by nearly 4 per cent against the dollar in the last two weeks.

This has become an increasing source of anxiety in Germany since it will hit at the profitability and growth of exports.

However, the attempts of the German and other European governments to win American support for a large and coordinated intervention in the markets have failed.

The Carter Administration hopes the dollar's fall will encourage the German and Japanese Governments, in particular to expand their economies. If they do not, their growth will be slowed down by the rise in their currencies.

In Tokyo the bank of Japan yesterday demonstrated its willingness to keep purchasing vast amounts of dollars to prevent the American currency from declining further against the yen. Local dealers estimated that the bank absorbed between \$750m and \$800m in the spot market, swelled to \$882m, the highest volume in about six years.

The British Government has been standing on the sidelines to some extent. The pound has not risen so much against the dollar as have the yen, mark and Swiss franc. This means British competitiveness with regard to the dollar's decline.

Sterling's effective exchange rate did rise slightly yesterday from 63.4 to 63.6, although it closed down 10 points against the dollar at \$1.8465.

When the markets lose confidence in a currency it is extremely difficult to turn sentiment round. Most dealers expect the dollar to come under continuing bouts of pressure.

Its decline is putting great pressure on the world's currencies because the weaker currencies within the "snake" are not rising so strongly as the mark.

Mr Park to leave British Leyland in the new year

By Clifford Webb

Mr Alex Park, 51, chief executive of British Leyland until Mr Michael Edwards was appointed full-time chairman six weeks ago, is leaving the group early next year. His departure has been widely predicted within the industry since his effective demotion to the position of an executive vice-chairman with much reduced responsibilities.

In statements last night both men acknowledged that the new relationship was unlikely to prove successful. They insisted, however, that they were parting on friendly terms.

Mr Edwards said: "Alex Park and I have agreed that he will leave British Leyland in the first quarter of the new year. Over the past few years Alex has been committed to the company and has made great efforts to achieve the objectives which were set. In the event there have been management changes, including my own appointment of full-time chairman.

"In all the circumstances we have come to the conclusion that the role he has recently taken up is unlikely to work out in the long term and so he will now pursue his career outside the company.

"On behalf of the board and all the many friends and colleagues in British Leyland I wish him every success in the future."

Mr Park was not himself available but a statement issued on his behalf by the company quoted him as saying: "I am sad to be leaving British Leyland but I believe that my departure is in the best interests of the company and my own career."

"I remain on the best of terms with Michael Edwards and I would like to take this opportunity of wishing him and everyone else at British Leyland all the best for the future."

Mr Park does not appear to have a new job yet although according to friends he has received a number of approaches.

A colleague said last night: "I think it has been obvious to everyone here that Alex was placed in an impossible position."

It is not the first time that Mr Park has been placed in a difficult situation. In mid-1975 Lord Ryder took him from the comparative seclusion of finance director and thrust him into the lime-light as chief executive of a British Leyland rescued from the brink of bankruptcy by extensive government intervention.

It was a tremendous set-up for a man who although acknowledged to be one of the best financial directors in the industry was a comparative novice in the political jungle which surrounds the company's relationship with the parent National Enterprise Board and the Department of Industry.

He was given a ready made team of executives and a business plan chosen and mapped out by Lord Ryder. A more experienced administrator would only have accepted such a task after a great deal more bargaining than Mr Park is known to have engaged in.

The original intention was to shield him from political manoeuvring by appointing a part-time chairman of wide experience. In practice this proved unworkable and was finally dropped with the arrival of Mr Edwards as the first full-time chairman.

The vacant post of executive vice-chairman will be filled by Mr David Andrews, the present managing director of Leyland International. Mr Peter McGrath, finance director of Leyland Truck & Bus, will act as managing director of Leyland International.

Federal Bank introduces controls to check cash inflows

From Peter Norman

Frankfurt, Dec 15

As well as announcing cuts in leading interest rates and moves to neutralise some of the "hot money" that has flown into West Germany in the past fortnight, the German Federal Bank's central council decided yesterday to impose temporary controls on inflows of foreign currencies.

On one side are those people who argue for a little stimulation for the economy and gradual depreciation of sterling. On the other, are the monetarists who advocate the maintenance of restrictive policies and a constant—or even small appreciation—of the pound.

The secret document, which is an internal discussion paper on medium-term economic problems, also considers what should be done with the extra national income from North Sea oil.

Here it falls back on a Treasury study which suggests using the money to repay international debts or to make room for a large amount of overseas investment.

Last night the Bank of England issued a statement confirming the existence of the document in question. However, they suggested that it was written by a junior economist seven months ago and was not a policy document. Nor did it represent the Bank's views.

interest bearing accounts at the

Federal Bank compared with 12.75 per cent at present. The minimum reserve rates for time deposits are being increased to 15 per cent from 8.95 per cent and those on savings deposits to 10 per cent from 5.65 per cent.

At the same time new inflows of foreign funds will be channelled into the Federal Bank's non-interest-bearing accounts as a result of a new regulation whereby 100 per cent of the growth of the bank's foreign liabilities from January 1 must be placed in special monetary reserves.

The Federal Bank's council also found the time to set a money supply target for 1978.

Accordingly the Federal Bank will aim for an average growth of 8 per cent in its central bank money stock next year, compared with 1977. The target, which is unchanged from that for this year, implies a rise of between 5 and 7 per cent in central bank money, between the Lombard rate at which banks can borrow from the Federal Bank against collateral is being cut to 3.5 per cent from 4 per cent.

To counteract the effects of the inflows of foreign funds on domestic liquidity, the meeting decided to raise the minimum reserve rate for foreign held liabilities in commercial banks.

From the beginning of next year German banks will have to deposit 20 per cent of their foreign liabilities in non-

interest bearing accounts at the

Federal Bank compared with 12.75 per cent at present. The minimum reserve rates for time deposits are being increased to 15 per cent from 8.95 per cent and those on savings deposits to 10 per cent from 5.65 per cent.

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Wider scheme for sterling financing of exports will end clearers' monopoly

By Christopher Wilkins

A new scheme which will allow British banks to increase their sterling financing of exports, while avoiding a significant rise in Government refinancing, was outlined yesterday by Mr Dell, Secretary of State for Trade.

The new arrangement will take effect from April 1 and involve replacement of the present refinancing formula which will rise to 24 per cent.

With effect from April 1 this formula will be frozen, and the new scheme will be thrown open to all authorized banks incorporated in the United Kingdom, thus breaking the former clearing bank monopoly.

Banks will only be able to refinance export credit maturing in more than five years. ECGD estimates that about 20 per cent of sterling fixed-rate finance carries a maturity of more than five years, and on the basis of the year ending next April, which loans are forecast to total about £1,600m, the amount eligible for refinancing had the new scheme been in

operation would be about £320m.

The latest scheme is not intended to affect the currency financing scheme introduced at the end of last year, under which banks were encouraged to denominate virtually all their big export credit business in sterling.

But to the extent that it allows the banks to step up their own sterling lending for up to five years it will clearly add an additional flexibility to the currency scheme.

The uncertainty is how far the banks will want to increase their sterling lending of up to five years. Although lending under ECGD guarantees is risk-free it is of long maturity, illiquid and poses problems of matching deposits with liabilities.

However, the banks have said they will be able to provide the necessary level of finance on the admission of new participants. These will broaden potential loan sources.

section 7 of the Industry Act 1972, and apply to employment creating projects in manufacturing industry in the special development and development areas and in Northern Ireland.

It will be reviewed towards the end of next year.

The bank has prepared to make loans for 50 per cent of the cost of fixed assets of the project up to their normal maximum of £60m. Mr Williams said: "They do not make loans of less than £2.5m."

"I am pleased to say, however, that we have made special arrangements to enable the smaller companies to take loans from £30,000 upwards."

Under the special arrangements agreed with the EIB, £100m will be made available through the government guarantee scheme.

Provision will be made in the scheme to bring smaller companies within the ambit of the EIB up to £20m. It will be set aside to be channelled through government departments.

Small companies seeking loans of less than £2.5m—below the present lower loan limit set by the EIB.

Mr Alan Williams, Minister of State for Industry, said yesterday that the scheme resulted from an initiative by the Prime Minister.

Earlier this year, a president of the Council of Ministers of the EEC, Mr Callaghan had asked the European institutions, including the EIB, to consider how they could encourage investment in the Community to provide opportunities for reducing unemployment.

The Minister said that the scheme would operate under

section 7 of the Industry Act 1972, and apply to employment creating projects in manufacturing industry in the special development and development areas and in Northern Ireland.

It will be reviewed towards the end of next year.

The Government's charge for the exchange risk scheme would be about 1 per cent per annum.

The scheme would cover 80 per cent of the risk.

The department said yesterday that the rates of interest likely to be charged by the EIB would be 7½ per cent for 7-year money; money at 10 years would cost around 8 per cent.

The Government's charge for the exchange risk scheme would be about 1 per cent per annum.

In the Commons yesterday Mr Dell, Secretary of State for Trade announced a new insurance scheme for large overseas projects worth £50m or

more.

The scheme would operate under

section 7 of the Industry Act 1972.

It will be reviewed towards the end of next year.

The scheme would cover 80 per cent of the risk.

British Aerospace is offered major role in American airliner project

By Arthur Reed
Air Correspondent

British Aerospace is considering an important and highly-attractive civil aircraft manufacturing deal proposed to it by McDonnell Douglas, the big American company.

The McDonnell Douglas package contains three important constituents:

1—Global marketing, but particularly in North America, of HS 146, a British 70/100-seater airliner, the design of which has been completed, and which is now on a "back burner" at the British Aerospace works at Hatfield, Hertfordshire.

2—Joint initial development work on a second-generation supersonic airliner for 1995, with 273 seats, a 5,000 nautical mile range, and the advantages over the existing Concorde of quietness and profitability.

3—Joint development, with the West Germans, of a new 160 to 180-seater subsonic ATMR (advance technology medium-range) airliner to tap a world

market estimated at 3,000 aircraft over 10 years.

It is the third project which is vital to the near and medium future of the British aircraft industry. British Aerospace has already made it clear that it wants to be involved in such a project and has been having lengthy discussions with the French, Germans and Dutch about partnership.

British Aerospace has its own design, the X-11, but has recently shelved it in favour of joint work on the French A300. But many problems remain to be solved before such a joint project goes ahead, in particular persuading the French to accept British leadership of the project.

The McDonnell Douglas proposal has the great attraction for Britain of linking this country's aircraft industry firmly with the American airline market.

The United States company has sold 1,000 of its DCS airliners to 62 operators around the world. Many of these would

become customers for the new ATMR airliner.

It has already been broadly designed by McDonnell Douglas and contains many advanced features, such as a supercritical wing, composite materials, and digital avionics. Engines will be a version of the Rolls-Royce RB 211—the clipped 553.

But there would be a great deal of design work in the pipeline for British and German partners. McDonnell Douglas has made it clear to the board of British Aerospace that it does not wish to see Britain as a tin-bending subcontractor, and that it would be happy to see this country having leadership of projects on a rotating basis.

McDonnell Douglas' proposal has the great attraction for Britain of linking this country's aircraft industry firmly with the American airline market.

The United States company has sold 1,000 of its DCS airliners to 62 operators around the world. Many of these would

Specialist chemicals spending boost urged

By Peter Hill

Sharp increases were urged yesterday in capital investment by companies involved in the manufacture of specialized organic chemicals during the next few years.

The call was made in the first report prepared by the sector working party for specialist chemicals as part of the Government's industrial strategy and will be considered at the meeting of the National Economic Development Council on February 21.

According to the report, new fixed capital spending on all organic chemicals has amounted to an average of about £160m a year in the past five years.

More than £20m of this should have been spent on specialized organic materials. The working party noted that although a considerable increase was required, spending had been constrained by the high costs of some crucial basic materials, and the financial constraints placed on smaller chemical companies.

Products covered by the working party are high-value organic chemicals, which sell from about £1-4 a kilo. They represent the link between the basic petrochemicals of the upstream sector and the downstream products which include pharmaceuticals and dyes/stuffs.

United Kingdom sales are estimated at about £400m a year but there is a trade deficit of some £40m. The strategy proposed by the working party would involve a larger number of products being competitively supplied from companies to meet home and export opportunities.

The working party said that the objective should be to balance the trade of the specialized organic sector by the end of 1980.

To achieve this, the report said, British exports, which have been rising at about 1.5 per cent annually faster than those of West Germany, would have to rise another 4 per cent. Total sales could then be roughly doubled in real terms over the next 8 years.

LETTERS TO THE EDITOR

Local authority borrowing

From Mr T. W. Sowerby

Sir, Mr Stephenson's suggestion in his article of December 12 that local authority borrowing between gainers and losers would in future be centralized takes us back to World War Two and its aftermath when local authority borrowing requirements were mainly supplied by the Public Works Loan Board. I doubt very much if local government would want to return to these stirring times and the main reason is not in my opinion, financial but the one proffered by Mr Stephenson— their independence.

Recent years have seen the entry of central government into the local authority arena in a big way. Capital spending is almost completely controlled, grant-in-aid grants are fixed and usually subject to cash limits and we now have the possibility of an octopus-like intrusion into rate levies and authorized annual increases through a unitary grant system. It is not widely realized just how much central control of local affairs is going on.

To add the nationalization of local authority borrowing on to present control is anathema to the majority of the elected members of the local authority associations. Independence means a great deal to them and their record is internationally applauded. The recent voluntary code of practice is effectively designed to assist them to control their own destiny. Even if the cost of local authority debt could be reduced by an average of 1 per cent

Mr Stephenson went on to

suggest that the cost of local authority borrowing could be reduced if local authorities borrowed only from the Public Works Loan Board. At present they borrow in a wide variety of ways. They can adapt their borrowing to take advantage of what is best for their individual circumstances—local authority revenue bills have on occasion been marginally cheaper than Treasury bills—and their diverse range of borrowing instruments attracts funds which would not otherwise be lent to the public sector.

As Mr Stephenson points out, interest rates on government borrowing have brought below local authority interest rates partly by the capital gains tax concessions on gifts. But those concessions are part of the real cost of government borrowing.

If local authorities had to borrow exclusively from the government through the Public Works Loan Board, much greater rigidity would be imposed on them. The increased demand for funds from the central government would have the effect—not necessarily marginal—of pushing up the cost of its own borrowing. Abolition of the local authority market could significantly increase the total cost of public sector borrowing. Yours faithfully,

T. W. SOWERBY
Recently Borough Treasurer,
London Borough of Bromley,
Butler Till Ltd,
Adelaide House,
London Bridge,
London EC4 9RN.
December 12.

From the Director of the Chartered Institute of Public Finance and Accountancy

Sir, I was glad to see Hugh Stephenson (December 12) saying so firmly "borrowing by a local authority in this country is as safe as any lending can be". He went on to point out that "West Ham was the last local authority to default and that was in the mid-1920s". Even those difficulties, he said, were not associated with a local authority of the kind we have today, but with the West Ham Board of Guardians, which was abolished by the Local Government Act, 1929.

Mr Stephenson went on to

'Honest' pricing for diesel fuel

From Mr John Engleheart

Sir, A recent letter advocates the retention of a punitive price for diesel road fuel on the grounds that fair competition between fuels would favour the import of cars made in other countries where diesel engine manufacture is more advanced than here.

This seems to me a dubious and slightly immoral argument. Diesel fuel has every right to be sold more cheaply than petrol, since it is less refined and incomparably safer to handle and store. We are also told that the exhaust emissions from diesel engines in proper condition are preferable to environmental grounds to those from petrol-driven cars. Furthermore diesel is in any case the standard fuel for heavy transport and gives more miles per gallon.

Surely there is everything to be said for an honest price policy and perhaps that might be an incentive for the British manufacturers to attempt something new in this field. Yours faithfully,

JOHN ENGLEHEART,
11 Myrtle Road,
Bristol, BS2 8BL.
December 13.

8 pc drop in crude steel production

Production of crude steel by the British Steel Corporation and the private sector companies this year is expected to total about 20.5 million tonnes, a fall of 8 per cent on last year and about the same level as in 1975.

This latest production estimate was made yesterday by the metal survey prepared by the BSC and the British Independent Steel Producers Association.

Last month output averaged 358,800 tonnes a week, and in October 402,500 tonnes a week—12 per cent lower than a year ago.

Washington puts off decision

Washington, Dec 15.—The United States International Trade Commission by a vote of four-to-two, today postponed until January 12 a decision on whether to order an investigation of steel imports from western European countries.

ITC sources said that the commission would make a public staff report on allegations that steel producers in the European Community were engaged in unfair import competition.

Under EEC rules the parties involved in the dumping allegations have 30 days in which to furnish the Commission with information.

Canadian curbs on imports of shoes from the EEC, which restrict them to the annual level between 1974 and 1976, came into force at the beginning of this month to run for three years.

Forecast of mortgage rate cut to 9 pc soon

Mortgage rates could be cut by as much as 4 per cent in January, Mr. Roy C. Gandy, general manager of the Alliance Building Society, said yesterday.

His personal prediction, however, was that the rate would be reduced by 1 per cent in 9 per cent, and the investment rate by 4 per cent to 54 per cent.

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BY THE FINANCIAL EDITOR

Meeting the money supply targets

Just when a degree of calm appeared to have returned to the gilt market, there was the Bank of England yesterday announcing that money supply had in fact been growing not just faster than planned but even faster than the previously published figures had suggested. Indeed, adding back the £40m odd of misclassified public sector deposits pushes up the growth in sterling M3 so far this year to around 8½ per cent, or nearly 15 per cent on annualized basis.

All, however, is not quite as bad as it seems. Those deposits will have been run off by early January and the full year outcome for monetary growth will not, apparently, be any different to what it would otherwise have been had the deposits never been placed in the system or misclassified.

That leaves us with an annualized growth rate for sterling M3 after seven months of the financial year of 13½ per cent. Given the size of the likely overshoot in PSBR and the fact that delayed wage settlements and tax rebates are probably slowing the upturn in consumer spending and therefore the industrial demand for bank loans, money supply may now finish the year within a whisker of the original target. Meanwhile, the second letter of intent to the IMF is giving little away about next year's likely money supply targets, though the fact that the ceiling has not been raised above £8,600m may relieve some.

Distillers

Pressures from the EEC

Distillers' stock market rating currently hangs largely on the eventual outcome of EEC deliberations about its dual pricing policy. So the stock market remained unimpressed yesterday about news of a near 40 per cent pre-tax profits increase to £74.5m in the first six months. Severe distortions in the half-time trading figures caused by advance United States buying ahead of the anticipated United States dock strike have further clouded the picture with the result that the share shed 5p yesterday to close at 170p.

A sales increase of 7 per cent to £401m reflects a fairly severe volume drop in the United Kingdom as evidenced by a duty charge of under £120m compared with £145m last time while ex-duty sales overseas have risen 23 per cent to £172m.

One view is that the European Commission's view on dual pricing had already been discounted in the share price. An adverse ruling requiring the group to raise domestic prices by as much as 50p a bottle could result in some loss of share in United Kingdom markets but these now account for no more than 14 per cent of DCL's total Scotch whisky sales.

For itself DCL is not prepared to take a decision on pricing policies until the Commission's findings are published but it reports that any resolutions should have no appreciable effect in the short-term.

Whatever the level of United Kingdom spending this Christmas full-year profits should be comfortably in excess of £150m to provide a p/e ratio of around 8½ while the yield is over 6 per cent. And with price increases in both home and overseas markets likely to improve profit margins next year the present rating could provide buying opportunities.

Associated Engineering

Slowing down

Associated Engineering's unsuccessful bid for Serck earlier in the year always had the look of an attempt to buy growth through acquisition as internal growth eased. In the event Serck's own potential growth looks uncertain while after an explosive couple of years AE looks to be admitting that it is slowing down too.

As with many other engineering groups AE is not finding it particularly easy to move to a phase three settlement with its

workers, and the doubts over satisfactory solutions to wages claims is a major factor in assessing first half profits. But the management's caution in forecasting extends beyond that to a view that profits growth in the current year will not be as fast as in previous years.

However, the group is at pains to stress that there was no real slow down in sales growth (at constant exchange rates) between the first and second halves of last year, and the one point fall in pre-interest margins to 11.8 per cent can largely be explained by the effects of the Lucas strike.

The worry seems to be that the changes of sales mix with the growth of higher margin diesel engine and replacement part components has now largely been worked through and future gains will have to come from breaking into new higher value top-range markets, which might prove a difficult and slow process.

Profits improved by 55 per cent last year to £32.5m, comfortably beating the forecast of at least £30m, and it would clearly be unreasonable to expect growth to continue at that sort of rate.

Undoubtedly the 8 per cent rise in production of trucks and buses in the United Kingdom and a further growth in replacement parts, making up for a drop in lower margin business in aircraft components last year, had big impact on the results. In the current year it is not expected that there will be any significant growth in truck and bus production in the United Kingdom but there is likely to be a rise in United Kingdom car registrations.

There are doubts as to whether this will be taken up by imports or by improved production of home manufacturers, but either way margins on original equipment are not so great as on replacement parts. However, it is too early to write off Associated Engineering as a growth company, given that it could achieve a 15 per cent rise in profits in the current year.

Even so, a yield of 6 per cent at 117p and a p/e of 8.6 in the current climate for engineering shares looks under pressure.



• The indifferent market rating of Charterhouse, whose chairman is Mr Nigel Mobbs (above), is due largely to its unexciting mix of banking and industrial interests, which have always looked unhappy bedfellows, and a failure to perform at the profits level.

Those reservations are apparent in the latest full year figures although pre-tax profits up from £7.4m to £8.5m broadly matched market expectations.

The banking and distribution activities have done markedly better and insurance broking and development capital, would have done so but for sterling's weakness, but the construction interests have turned out to be the Achilles heel this time round.

Here the Charbon subsidiary has been laid low by the downturn in the construction industry and despite profits from the rest of this side operating losses of £1.04m have been sustained against last year's £1.2m profit.

For 1978 the hope is that Charterhouse will get on an even keel. The indications are more promising than for some years with construction losses likely to be over, and there should be a maiden contribution of £1m, rising to £2m in 1979, from the Thistle stake.

With a little luck that should mean £12m pre-tax at Charterhouse next year which should lower the historic p/e ratio of just over 10 at 59p by some 3 points. Meanwhile, retentions of only £262,000 has meant only a maintained distribution this year though the yield is still usefully above the market average at nearly 9 per cent.

Business Diary: Something to sing about?

It may, bemuse Mrs Sally Oppenheim, the Conservative MP who is claiming that this will be the most expensive Christmas in living memory, but according to the indicator published annually in *The Times*, Christmas 1977 could be the cheapest since 1973.

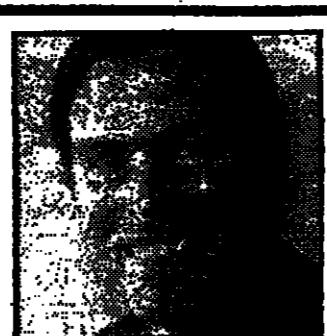
The cost of the true lover's Christmas, supposing he or she actually bought all the gifts enumerated in the song "The Twelve Days of Christmas", has plummeted by 23 per cent, or £1,107.40, since last year. It now stands at £3,802.50.

The improvement in true lover's economic outlook this year may be partly to do with the fact that the World Wildlife Fund, which usually computes the figures, was too busy this year. Business Diary, obliged to compile the index itself, found cheaper sources of supply in some cases and haggled for money-saving bargains in others.

Our biggest coup was in persuading Ballet Rambert that 11 ladies dancing would not be required for a whole week, since they appear only on days 11 and 12. The ballet is much in demand at festivals and now accepts short engagements, so its bill for 11 ladies was cut from a proposed £798 to £206 as a stroke.

We also saved on the five gold rings. The World Wildlife Fund bought wedding rings at £9 each, but this year we discovered it would be possible to get golden dress rings at only £5, a total saving of £160 over the eight days on which they are included in true love's present basket.

Bridges are up at £5 each, and the advent of cash-and-carry garden centres brings the price



Williams and Glyn's Dick Lloyd: one into three wouldn't go.

many property losses during the secondary banking crisis for the likes of the carefree Scots, the parent National and Commercial Banking group has effectively allowed its other bank, the Royal Bank of Scotland, the whip hand in running W & G's southern end of the banking group.

With the drummers and pipers, though, we again agree, because the Musicians' Union now accepts that a private engagement such as ours might qualify for the minimum four-hour engagement fee of £11.55, a concession which left the Royal Bank of Scotland, the whip hand in running W & G's southern end of the banking group.

The first wind of these changes came when MacCann chairman Sir James Blair-Cunningham moved into the driving seat at Williams & Glyn's and established a Royal Bank management team which left the Williams & Glyn's people out in the cold. Soon after, Alex Ritchie and John Morgan, second and third in the command chain, slipped away. They were followed by Ian Logie, who looked after international banking.

The latest departure is that of Dick Lloyd, the chief executive, whose appointment to Hill Samuel as a deputy chairman,

as part of its restructuring to face the new challenges in the merchant banking world, was promised.

By a minister, Hattersley could be taken to task for his comments on the price of alcohol. The chief sanitation officer for the City of San Francisco is a Mr Grotto.

This chief sanitation officer for the City of San Francisco is a Mr Grotto.

John Whitmore

Towards new monetary goals

'It is still early days, but there does now seem to be a reasonable possibility that sterling M3 growth for the full 12 months will finish up as close to the 13 per cent ceiling as is likely to worry no one'

The sooner Christmas comes, the happier financial markets are going to be. They have been living on their nerves for the past couple of months, frantically trying to come to grips with a money supply that had started to grow rather faster than the Government's projected ceiling of 13 per cent for the financial year to next spring.

The monetary authorities faced by the prospect of a self-feeding crisis as waning confidence threatened their ability to sell the government debt necessary to restrain monetary growth grasped the nettle in late November.

They managed a sharp upward correction in short-term interest rates on the grounds that interest rates, driven steeply downwards in the period ahead of the steeling that had fallen to levels that were too low for domestic considerations.

Although the authorities did as the market had hoped and pushed minimum lending rate up from 5 to 7 per cent in one move, there were, inevitably, fears that rates might have to rise still further.

In the event, the Bank was able to quell these fears by a straightforward statement that if it believed that the funding correction to rates was called for, Ten days ago, on the back of some rather more encouraging banking statistics, it was able to break the gilt market impasse and resume gilt sales on a significant scale.

With a little luck the temporary crisis of confidence is now over, although yesterday's statement accompanying the November money supply figures indicates that the money supply

has in fact been growing rather faster than the previously published figures reveal, at an annualized rate approaching 15 per cent.

In addition, the sharp rise in bank lending in October now looks as if it was unexpected. In fact, lending to the public sector, especially to the IMF, provided spending adds little to itself and the Government, understandably, at this stage, is giving little away on the kind of money supply targets it is expecting to set.

Taking this to be the case, money supply growth so far is running at about 13½ per cent on an annualized basis, still slightly above the projected ceiling. It is still early days but there does now seem to be a reasonable possibility that sterling M3 growth for the full 12 months will finish up as close to the 13 per cent ceiling as is likely to worry no one.

In short, things look rather more comfortable for the authorities over the rest of this year than might have seemed likely only a matter of weeks ago. That said, the circumstances still suggest that monthly money supply figures could be erratic, while it remains to be seen to what extent the situation could be complicated by domestic developments on the labour front or by any external developments resulting, for instance, from the latest German moves to deter currency inflows.

Increasingly, then, attention

is starting to focus on prospects for 1978-79. So far, however, there is a limited amount of information to work on. The second letter of intent to the IMF, predicted spending adds little to itself and the Government, understandably, at this stage, is giving little away on the kind of money supply targets that had been applied in the first place.

Therein, of course, lies the dilemma and it is a pity that the Bank, seemingly rather more prepared to speak its mind in public these days, is not yet prepared to spell out in rather more detail what it feels is the happy medium.

What the Bank did say, however, was that the monetary posture next year should, while accommodating a moderate rate of real economic growth, be such as to take full account of the need for inflation to be reduced.

Rolling monetary targets should give the Government greater scope to achieve this aim, but it will need strong political will. Just how far there is still to go might be judged by the new monetary targets set by the West Germans—8 per cent and on a higher projected economic growth rate than the United Kingdom.

duction of technical handbooks (on general subjects such as tribology) and the transfer of aimed work of certain research associations and consultants.

The resulting output could, for instance, be an analysis of the performance (eg, the wear of the cylinders) of internal combustion engines. Expressed in graphical form, this could show the relationship of wear rate to the size and type of engine. Similar analyses could give effective understanding of whole areas of technology across a very wide range.

Mr Neale believes that this concept of part-projected, evaluated data is a midway reference source between research and industrial use that could be better promoted by the professional engineering institutions and the universities and polytechnics. At present the institutions tend to concentrate on publishing and discussing research papers; while research PhDs tend to narrow rather than broaden the mind.

**Kenneth Owen
Technology Correspondent**

Bringing the fruits of research to light

In trying to match problems with solutions it is in general not a good idea to start with a solution and then try to find a problem to fit it. But, even when starting in the right direction with a real problem and then seeking solutions, it is a mistake to assume that all will be well if only the one right research project is found.

And yet there is a need for research to be applied in industry; to relate the latest available knowledge to the real needs of engineering. There are many ways of attempting to do this, some of which are very much better than others.

It is unrealistic to take the results of one good research project and wonder why industry does not make better products.

Even when the problem is narrowed down to what is known in the present fashionable phrase as "technology transfer"—the transfer of existing knowledge obtained in one field to a new use in another field—the choice of options is alarmingly wide.

Both the complexity and a key weakness in the present process of transfer were illustrated this week in a lecture to the Institution of Mechanical Engineers by Mr Michael Neale, a consulting engineer.

The processes of acquiring knowledge and of applying it are generally separate activities, involving different people in different places. Thus there is a gap to be bridged, but it is not a simple matter of picking up knowledge from A and putting it down at B.

As for the general process of technology transfer, this can be either "vertical" or "horizontal". Vertical transfer includes the flow of information from

universities and research laboratories to industry; from a technologically advanced sector of industry to a less advanced sector; and from a technologically advanced country to a developing country.

Horizontal transfer, by contrast, implies a move across at the same level of technological development, such as that between two companies which are already using broadly similar kinds of technology. It takes place via conventional channels of communication—discussions in technical journals, with suppliers and so on—and is a well-established process.

The vertical route can provide the greatest benefit, but demands the greatest effort. The transfer can be made by the movement of individuals, who take the knowledge with them; by a licence agreement on a particular innovative product; or by the publication of knowledge which has been condensed and prepared into a form suitable for problem-solving.

Individual movement is limited. There are, for example, few people in research establishments who are motivated to move out into the more disturbed environment of commercial industry—and who, if they did move out, could communicate effectively with the engineers already there.

The transfer of innovative products or systems, too, is limited. Not many innovative artefacts are available and suitable for direct transfer into wealth-creating industry.

It is the third transfer technique, that of providing part processed or evaluated data in ready-to-use form, that Mr Neale sees as having the greatest potential for helping industry and encouraging the practical use of research results. Up to now, he says, this technique has been under-exploited.

One successful exploiter of the technique is the Engineering Sciences Data Unit, London, an offshoot of the Royal Aeronautical Society, which publishes a wide range of "data items". Full-time professional engineers produce evaluated data based on research results (and on original work of their own), which are then available for use by designers.

Other examples are the pro-

VAUX BREWERIES

"Beer sales during the summer have been good"
reports Paul Nicholson, the Chairman.

In December 1976 the company announced a change of financial year-end from April to September and the extension of the year to the 1st October 1977. These results therefore cover a period of 17 months and for comparison purposes the unaudited figures covering 12 months to 1st October 1977 are also shown below.

● Pre-tax profits for 12 months to 1st October 1977 show an increase of 18% over comparable figures for the previous period. A final dividend of 11.53p per Ordinary share (the maximum permitted) is proposed for payment on 13th February 1978 to those on the register on 16th January 1978.

● Beer sales during the summer showed an increase of some 5% over last year. Sales in Scotland have been better than the general trend and Lorimer's beers are proving increasingly popular. Since the year-end we have launched a new beer in north-east England called Sunderland Draught Bitter, available in cask, tank or keg.

● Swallow Hotels made excellent progress and the policy of limited diversification, started some years ago, is proving itself.

● Our capital expenditure programme, involving some £30 million in the next few years, is on stream. Our new lagering equipment in Sunderland should be ready in time for next summer's trade and we hope to open the new wing at the Royal Scot Hotel in the spring. We have negotiated adequate facilities to meet our requirements and these together with our normal overdraft and borrowing facilities, are adequate unless unforeseen opportunities arise.

● The biggest cloud on the horizon is the danger that, for political reasons, we may not be able to implement necessary price increases. Improved productivity should keep our wage cost per unit within the government's guidelines, but many other costs continue to rise fast.

● We propose to divide our existing £1 Ordinary shares into shares of 25p each which will not only bring us into line with most of our industry, but should also make it easier to market our shares. In addition, plans are in hand for a profit-sharing scheme whereby employees can become shareholders in the company.

● We are the only independent brewery with headquarters and pubs in the north-east of England. We are not too large to lose contact with either our customers or those who work for us. In addition we aim to play a full part in the local communities in which we do our business and on whom we depend for our success. With these policies we believe the outlook is good.

Comparative Figures

	Year to 30 Apr

National and Commercial Banking Group LIMITED

The Royal Bank of
Scotland Limited



WILLIAMS & GLYN'S
BANK LIMITED



Symbol of our Strength

The Annual General Meeting of the Shareholders of National and Commercial Banking Group Limited will be held in the North British Hotel, Edinburgh, on Thursday, 12th January 1978, at 12 noon. The following is from the Statement by Sir James Blair-Cunningham, OBE, LLD, DSc, Chairman of the Board.

THE YEAR'S OPERATIONS

The relatively modest increase in profits for the twelve months has been achieved against a background of depressingly stagnant demand for bank credit and a lower average base rate for the year of 10.71 per cent. which masks dramatic movements in the actual base rate during the year. The average margin between base rate and retail deposit rate was slightly narrower for the year, but was considerably wider in the last six months. Against this background of sharp changes in interest rates the underlying sluggishness in the economy was reflected for the Group in a growth of average sterling deposits by 9 per cent. and of average sterling advances by only 6 per cent. over the year.

Total costs rose by about 12 per cent. compared with 17 per cent. in the previous year, reflecting not only the lower inflation rate but also the determined efforts by the Group's two member banks to contain costs in every way and their adherence to the policy of income restraint.

Royal Bank of Scotland Group: The operating profit, excluding the share of associated companies, was £34,050,000 or 8 per cent. higher than the previous year. The economic recession, which was slower to affect Scotland than other parts of the United Kingdom, has had a more marked impact during the past year and bank lending has thus been somewhat depressed. No material improvement is anticipated for the immediate future. Competition for the provision of financial services in Scotland has continued to intensify.

Williams & Glyn's Bank Group: The operating profit, at £21,898,000 excluding the share of associated companies, shows an increase of 8 per cent. on the previous twelve months. The process of improving the branch network to meet customers' needs has been continued.

THE ECONOMY

There has been a remarkable change in the economic scene since this time last year as evidenced by a strong recovery in sterling, a balance of payments that has moved into surplus, interest rates dramatically reduced and the forecast inflation rate pointing steeply down towards single figures on an annual basis. Most of these trends have shown a marked and almost embarrassing acceleration since the end of July when sterling was allowed to move away from the dollar.

This striking turnaround is principally due to important changes of opinion in two areas. First, the overseas view of the United Kingdom economy started to change following the Government's undertakings to the IMF, from the obvious determination of the trade unions and employers to restrain incomes and finally from the growing evidence that the benefits to our economy from North Sea oil were starting to materialise and on a larger scale than many had anticipated.

Secondly, and associated with this greatly improved international rating, we have begun to revise our own opinion of ourselves and of our future. This is hard to measure but it is critically important nevertheless. The best evidence of this is the broad recognition by almost every household not only that continuing inflation at the rates we have experienced in the past few years is potentially erosive of all the standards upon which our lives have traditionally been based but also that it could ultimately lead only to destruction. Nevertheless, despite these most significant changes in what others think of us and what we think of ourselves, it is of the highest possible importance to understand that there are but few real signs yet of improvement in the key areas of our economy.

THE SCOTTISH ECONOMY

After a period in which the relative performance of the Scottish economy continued to benefit from oil activity the current position and the outlook are now again dominated by features common to the whole of the United Kingdom. Indeed there are now signs in Scotland that the market both for manufacturing industry and for the important construction sector is, if anything, weaker than for the United Kingdom in general and unemployment has continued to rise faster than the national average.

THE FUTURE

Thus although it is possible that some measure of success is within sight, to achieve it will mean much hard work and even then we shall only be on the early stages of the road to recovery. But even an orderly return to free collective bargaining and adherence thereto to the policy of voluntary restraint would not of itself bring about the improvements in productivity per head and in industrial production which are so critical to our future prosperity. The outcome will not emerge quickly nor can it be forecast easily over the short term. It is essential to continue the process of informing and educating people about the changing society and world in which we live, but apparently simple solutions to our problems or generalisations regarding our situation are mostly superficial and often misleading.

15th November 1977.

Salient Figures

	1977	1976
Group profit before taxation and extraordinary items	£64,095,000	£57,720,000
Profit after taxation but before extraordinary items	£30,162,000	£27,884,000
Earnings per 25p ordinary share	13.4p	12.4p
Dividend per 25p ordinary share	2.632p	2.3573p
Deposits and customers' current accounts (including notes in circulation)	£3,455,933,000	£3,306,633,000
Total assets	£3,882,571,000	£3,677,529,000

Copies of the Directors' Report and Accounts containing the Chairman's full Statement may be obtained from The Secretary, National and Commercial Banking Group Limited, 36 St. Andrew Square, Edinburgh EH2 2YR.

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ing its usual audience at the time of year, the Donmec shareholders made a trading loss of £10,000 to £10,000 with one of £10,000 to £10,000

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FINANCIAL NEWS AND MARKET REPORTS

Stock markets

Gilts dominate with early gains

With equity bargains marked at their lowest level of the year—just 3/2—of the day belonged to gilts.

Continued enthusiasm over the November trade figures and an encouraging Bank of England bulletin sparked some early demand at the long-end where most stocks quickly went half a point better. But the interest was not sustained and even money supply figures indicating a slowing down of growth made little impact and by the close gains had been pared to three-eighths. Short dates were unchanged to one-eighth better.

Though a little above the worst by the close equities were still a little under their overnight levels with the FT Index just 19 off at 472.1 after touching a low of 469.7.

Dealers said the background economic news, though helping to sustain the tone, made little positive impact on a market becoming more and more influenced by festive activities.

Shipping shares in general and P & O in particular took a knock after Lord Inchcape's gloomy remarks on trade in the group's own newsletter. The key question now is the extent to which the market's profits forecast of £40m, against £44m, should be downgraded. Some were talking yesterday of £35m or less, and the shares were marked down 4p to 110p.

In spite of the general lethargy, many of the leading industrialists managed gains of a few pence. Typical were Beecham 5p to 67p, Unilever 4p to 55p, Fluson 3p to 37p and ICI 2p to 35p after an early fall. Once again results brought some activity to the drinks sector where figures a little below expectations lowered Distillers 3p to 17p but Vaux jumped 12p to 365p on profits and a share split. Another pleasing with a statement was Greenall Whitley, up 4p to 97p while renewed speculative interest in Macallan Glenlivet boosted the shares

15p to 285p. Over in buildings results had Marley a penny better at 77p and brought a sympathetic and similar rise to Redland at 14p. Timber group M. L. Meyer continued to respond to Wednesday's figures adding another 3p to 76p and G. Dew rose another 2p to 156p on fresh speculative support.

In foods uninspiring figures from Unigate left the shares unmoved at 50p and Tate & Lyle encountered light selling after the banning of Wednesday night's television programme. Both Lucas 2p to 262p and Smiths Industries 2p to 154p recovered some of their recent losses in the motor sector.

The gloom from P & O affected other major shipping groups, notably Ocean, which

lost 2p to 131p, and British & Commonwealth lower by 3p to 277p. The speculative Hunting Gibson shed 10p to 230p.

In the engineering sector Braithwaite recovered some of the previous day's hefty loss with a rise of 5p to 140p as positions were closed while Associated Engineering responded to a profits statement with a rise of just a penny to 117p.

With Christmas shopping now in full swing stores made ground with Marks & Spencer 5p better at 155p and British Home Stores a point to the good at 215p. Comet helped Debenhams to rise a penny to 95p.

Fewer rises were seen in foodstuffs.

BAT, Dfd, GEC, Beecham, Marks & Spencer, P & O, EMI, Grand Metropolitan, Gis. A., Zenith, Commercial Union, Royco, Wilkinson Match, G. Dew, Tube Investments and Vaux.

Latest results

Company	Sales £m	Profits £m	Earnings per share	Div. pence	Pay date	Year's total
Aero & Gen (I)	1.1(1.15)	0.14(0.13)	19.4(13.0)	3.42(2.92)	13/2	4.69(4.0)
Ans Enginer (F)	286.5(252.3)	32.4(20.9)	(—)	0.5(0.5)	7/2	(—)
Barclay Corp (I)	3.3(3.2)	0.05(0.03)	(—)	0.04(0.03)	1/2	0.71
John Booth (I)	2.3(2.5)	0.05(0.12)	(—)	Nu(0.31)	Nu(0.31)	(—)
Bridgewater (P)	0.004(0.02)	0.31(0.34)	(—)	0.82(0.82)	16/2	(—)
N. Brown (I)	7.7(7.1)	1.1(0.52)	10.26(9.21)	2.2(1.9)	24/2	3.7(3.3)
Chartrise Grp (F)	85.7(74.1)	5.73(4.61)	(—)	2.17(2.17)	24/2	3.35(3.3)
Cookson (I)	400.8(376.1)	47.3(41.2)	(—)	1.25(1.25)	24/2	5.6(5.6)
Dobson Park (F)	98.2(80.7)	11.1(9.0)	13.1(8.3)	1.29(1.18)	28/2	2.1(1.9)
Edin & Gen (I)	(—)	0.02(0.08)	(—)	0.89(0.80)	4/2	(—)
George Ever (I)	8.2(6.6)	0.42(0.29)	(—)	1.24(1.06)	17/2	2.6(2.3)
Goldfarb Fctry (I)	4.4(3.5)	0.19(0.16)	(—)	0.75(0.65)	13/2	3.9(3.5)
Greenall, Whit (P)	107.0(85.2)	10.1(8.5)	9.95(8.30)	2.15(1.9)	28/2	(—)
Hawkins & T (F)	17.6(13.3)	1.0(0.72)	15.74(10.47)	2.9(2.8)	28/2	(—)
Heywood Wms (I)	8.6(7.2)	0.18(0.06)	(—)	0.66(0.65)	30/1	(—)
Inch Kenneth (I)	(—)	(—)	(—)	Nu	Nu	(—)
Kellock (I)	(—)	0.08(0.0001)	14.49(0.01)	0.97(0.65)	9/3	(—)
King Group (I)	26.1(20.8)	7.0(5.8)	12.0(11.8)	1.41(1.12)	9/3	2.4(2.2)
Marley (I)	215.6(202.9)	15.3(17.6)	0.67(0.65)	1.2(1.14)	—	(—)
Moorgate M (I)	1.7(4.98)	0.10(0.12)	(—)	0.88(0.87)	25/2	2.0(1.8)
Morgan Gramp (I)	14.4(11.7)	1.5(0.53)	(—)	NH(ND)	NH(ND)	(—)
Pleasurians (F)	7.0(5.8)	1.5(0.96)	10.3(6.6)	1.61(1.27)	16/1	2.0(1.8)
Port & Stoud (I)	(—)	(—)	(—)	0.75(0.65)	7/2	(—)
Prince of W (I)	1.6(1.25)	0.1(0.01)	(—)	1.33(1.21)	3/4	(—)
Royal Hellenic (I)	21.2(20.8)	2.5(2.5)	(—)	1.3(1.24)	13/2	2.1(1.9)
Tex Ahuras (I)	2.4(2.0)	0.22(0.10)	(—)	1.35(1.3)	22/2	2.7(2.7)
Trustees Corp (I)	(—)	1.23(0.97)	(—)	1.35(1.3)	22/2	3.4(3.4)
Unigate (I)	435.0(385.0)	10.1(9.4)	2.97(2.46)	1.33(1.21)	3/4	(—)
Uld Securities (F)	13.5(30.0)	2.71(1.8)	27.07(12.19)	1.3(1.24)	13/2	2.1(1.9)
Vaux Brew (F)	93.88(56.5)	8.2(4.4)	53.3(30.2)	11.5(10.12)	13/2	22.7(14.0)
Ward-Evans (I)	6.0(5.3)	0.56(0.58)	7.5(5.19)	0.82(0.82)	13/2	1.7(1.7)
Young, Anstr (I)	6.5(6.0)	0.25(0.122)	(—)	0.82(0.82)	13/2	1.4(1.4)

Dividends in this table are shown on a gross basis. To establish gross multiply by 1.515. Profits are shown net of tax on a percentage per share. Elsewhere in Business News dividends are shown on a gross basis. To establish gross multiply by 1.515. Profits are shown net pre-tax and earnings are net. A fort 17 months. b for 18 months.

Problems of Unigate and EEC doctrine

By Ray Maughan

An increase in margins has provided Wilkinson Match with the bulk of its growth in the six months to end-September last.

While the group—taking in Swan Vestas matches and Wilkinson razors blades—has maintained what it describes as "steady turnover growth" with sales improving by a mere 6 per cent to £36.6m, pre-tax profits expanded by almost a fifth to £7.2m.

All that one can say so far is that Unigate's profits in the 24 weeks to September 10 last are up from £9.4m to £10.1m. As Britain's biggest milk distributor—taking in Cow & Gate, St Ivel and United Dairies—Unigate is naturally vital to the new Common Market agreements which begin in the New Year and must therefore run the risk of building up consumer resistance.

Sir James Baker handed over the chair to Mr John Clement last September. But before he left the post Sir James predicted that the method of fixing the price for buying milk might change. He said then that the dairy industry was spending a good deal of money on advertising and market development which Unigate's directors expected would lead to a growing market share in the home market for United Kingdom-produced dairy products to take full advantage.

In the meantime, the directors of Unigate hoist the interim dividend from 1.21p to 1.35p per share.

Stated earnings at the half-yearly point were lifted from 2.46p to 2.97p per share. This suggests that the prospective p/e will be about 8.2. It is hard to quibble at this level but the problems involved with integrating CAP with a fair deal for British farmers and shareholders is probably a drawback until the new Common Market agreements represent a well-oiled machine rather than a glimpse into the virtual unknown.

Improved margins help Wilkinson Match to healthy £7.2m

By Ray Maughan

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By Our Financial Staff

Magazine publisher Morgan-Grampian is likely to make a pre-tax profit of around £3.75m for the current year to March 31 next.

This is the forecast from chairman Mr Graham Sherron in the formal offer document being sent to shareholders on behalf of Trafalgar House.

The agreed £20.5m takeover bid from Trafalgar last month was dependent on Morgan making a pre-tax profit of not less than £3.5m for the current period compared with £2.73m last time.

In the first six months the magazine group hoisted profits from £931,000 to £1.6m pre-tax on sales up from £1.7m to £14.4m. Most of the upturn came in the United Kingdom where profits more than doubled from a previous £899,000 to £1.2m. In the United States both sales and profits dipped in the period.

New magazine development costs were also stepped up from a previous £1.05m to £420,000. This is likely to be boosted further if Trafalgar gains control, as Mr Sherron has reported.

If the Trafalgar offer becomes unconditional five of the Morgan non-executive directors will resign without any compensation payment. They are Mr D. A. Abramson, Mr C. A. Chaycock-Realey, Mr M. E. A. Keeling and Mr S. P. M. Pegg. The chairman and remaining directors will remain as full-time executives.

The terms of the offer are 200p cash for ordinary shares and 70p cash for preference.

The prospective p/e of under 6 is partly explained by a yield of under 3 per cent.

Mr Denis Randolph, chairman of Wilkinson Match

also turned in an improved profit contribution.

Elsewhere in the group, consumer products made £6.05m against £5.85m while on the safety and protection side the division contributed almost doubled profits to some £2.02m.

Fully diluted earnings are stated at 10.78p per share which, if Wilkinson Match can hold on to margins and maximise its benefits of the predicted rise in consumer spending, might turn out at about 23p per share.

The prospective p/e of under 6 is partly explained by a yield of under 3 per cent.

Marley hit by strength of sterling

By Alison Mitchell

Stepped-up borrowings and exchange losses have hit the profits of building materials concern Marley.

In the accounting period to October 31, the group turned a pre-tax profit of £15.4m, against a previous £17.6m on turnover up from £203m to £219m.

The group is currently spending heavily in anticipation of the forecast upturn. In the past 12 months around £15m went on fixed assets—some £4m abroad and the balance in the United Kingdom—and a similar amount is scheduled for the current period.

The deficit on converting the overseas assets and liabilities into sterling amounted to £1.5m and surplus to offset higher volume.

The figures exclude deferred taxation for stock and the tax charge is therefore 20 per cent down at £3.34m. A stock increase of £5m was financed through retained earnings. Meanwhile, the company expects that its borrowings next year will run on a modest overdraft.

The weak link appears to be Trust Concrete, a part of the industrial products division, which has been hard hit by the general decline in construction. But at the other end of the division's spectrum are two reporters on which the company earns its highest margins. The bulk of the sales are to the United States.

Earnings per 10 share are up to 13.1p from 8.3p. Retained profits at £6.4m represent 64.5p a share, much in line with the market price. The full dividend for the year is 2.13p against 1.91p last year.

British Anzani is to ask for a revaluation

By Michael Prest

The latest circular from Ladbrooke Group in support of its £6.2m bid for Leisure & General Holdings emphasizes that the Leisure board has not supported its rejection of the bid with a profit forecast for the current year. Despite this, need for funds to finance the future capital expenditure, and the current borrowings, the Leisure board have proposed a dividend which will reduce the cover from 3.3 to 1.7 on an historic basis—Ladbrooke reports.

The group now has medium-term borrowings totalling some £8m and a facility for a further £12m. This is reflected in interest charges of £3m in the past year, against £2.4m.

But the future looks brighter for the group. The French interests are beginning to come right and the group in Canada should see the group ahead of last year's £7m at the interim stage, Mr Pollard forecasts.

The shares firmed up to 77p yesterday.

Stanley Gibbons has also been expanded. In the past year some 22 small and less profitable units have been closed and eight larger outlets opened.

Although this has increased selling space by about 65 per cent the initial set-up costs have been considerable, Mr Pollard reports.

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But the future looks brighter for the group. The French interests are beginning to come right and the group in Canada should see the group ahead of last year's £7m at the interim stage, Mr Pollard forecasts.

The shares firmed up to 77p yesterday.

Endeavour Resources has sold its wholly-owned subsidiary Australian Tin to Nippon Zinc for \$5.5m and £2.5m for a period of 10 years.

The loan

MARKET REPORTS

Eurobond prices
(midday indicators)

US STRAIGHTS (\$)

	Bid	Offer
Australia Gs 1981	96	96
Australia Gs 1982	96	96
Australia Gs 1983	100	101
Avg 9% 1983	100	101
Bahrain Gs 1980	96	96
Bahrain Gs 1981	100	100
British Gs 1981	108	108
Canada Gs 1980	97	97
Canada Gs 1981	97	97
Canada Gs 1982	97	97
Canada Gs 1983	97	97
Denmark Gs 1981	97	97
Denmark Gs 1982	97	97
Denmark Gs 1983	97	97
Egypt Gs 1981	97	97
Egypt Gs 1982	97	97
Egypt Gs 1983	97	97
Finland Gs 1980	96	96
Finland Gs 1981	96	96
Finland Gs 1982	96	96
Finland Gs 1983	96	96
Greece Gs 1980	100	101
Greece Gs 1981	100	101
Greece Gs 1982	100	101
Greece Gs 1983	100	101
Iceland Gs 1981	97	97
Iceland Gs 1982	97	97
Iceland Gs 1983	97	97
India Gs 1981	97	97
India Gs 1982	97	97
India Gs 1983	97	97
Indonesia Gs 1981	97	97
Indonesia Gs 1982	97	97
Indonesia Gs 1983	97	97
Iran Gs 1981	97	97
Iran Gs 1982	97	97
Iran Gs 1983	97	97
Iraq Gs 1981	97	97
Iraq Gs 1982	97	97
Iraq Gs 1983	97	97
Ireland Gs 1981	97	97
Ireland Gs 1982	97	97
Ireland Gs 1983	97	97
Italy Gs 1981	97	97
Italy Gs 1982	97	97
Italy Gs 1983	97	97
Japan Gs 1981	97	97
Japan Gs 1982	97	97
Japan Gs 1983	97	97
Korea Gs 1981	97	97
Korea Gs 1982	97	97
Korea Gs 1983	97	97
Malta Gs 1981	97	97
Malta Gs 1982	97	97
Malta Gs 1983	97	97
Mexico Gs 1981	97	97
Mexico Gs 1982	97	97
Mexico Gs 1983	97	97
Netherlands Gs 1981	97	97
Netherlands Gs 1982	97	97
Netherlands Gs 1983	97	97
New Zealand Gs 1981	103	103
New Zealand Gs 1982	103	103
New Zealand Gs 1983	103	103
Norway Gs 1981	97	97
Norway Gs 1982	97	97
Norway Gs 1983	97	97
Occidental Gs 1981	97	97
Occidental Gs 1982	97	97
Occidental Gs 1983	97	97
Oman Mining Gs 1983	97	97
Oman Oil Gs 1983	97	97
Oman Oil Gs 1984	97	97
Oman Oil Gs 1985	97	97
Oman Oil Gs 1986	97	97
Oman Oil Gs 1987	97	97
Oman Oil Gs 1988	97	97
Oman Oil Gs 1989	97	97
Oman Oil Gs 1990	97	97
Oman Oil Gs 1991	97	97
Oman Oil Gs 1992	97	97
Oman Oil Gs 1993	97	97
Oman Oil Gs 1994	97	97
Oman Oil Gs 1995	97	97
Oman Oil Gs 1996	97	97
Oman Oil Gs 1997	97	97
Oman Oil Gs 1998	97	97
Oman Oil Gs 1999	97	97
Oman Oil Gs 2000	97	97
Oman Oil Gs 2001	97	97
Oman Oil Gs 2002	97	97
Oman Oil Gs 2003	97	97
Oman Oil Gs 2004	97	97
Oman Oil Gs 2005	97	97
Oman Oil Gs 2006	97	97
Oman Oil Gs 2007	97	97
Oman Oil Gs 2008	97	97
Oman Oil Gs 2009	97	97
Oman Oil Gs 2010	97	97
Oman Oil Gs 2011	97	97
Oman Oil Gs 2012	97	97
Oman Oil Gs 2013	97	97
Oman Oil Gs 2014	97	97
Oman Oil Gs 2015	97	97
Oman Oil Gs 2016	97	97
Oman Oil Gs 2017	97	97
Oman Oil Gs 2018	97	97
Oman Oil Gs 2019	97	97
Oman Oil Gs 2020	97	97
Oman Oil Gs 2021	97	97
Oman Oil Gs 2022	97	97
Oman Oil Gs 2023	97	97
Oman Oil Gs 2024	97	97
Oman Oil Gs 2025	97	97
Oman Oil Gs 2026	97	97
Oman Oil Gs 2027	97	97
Oman Oil Gs 2028	97	97
Oman Oil Gs 2029	97	97
Oman Oil Gs 2030	97	97
Oman Oil Gs 2031	97	97
Oman Oil Gs 2032	97	97
Oman Oil Gs 2033	97	97
Oman Oil Gs 2034	97	97
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Oman Oil Gs 2040	97	97
Oman Oil Gs 2041	97	97
Oman Oil Gs 2042	97	97
Oman Oil Gs 2043	97	97
Oman Oil Gs 2044	97	97
Oman Oil Gs 2045	97	97
Oman Oil Gs 2046	97	97
Oman Oil Gs 2047	97	97
Oman Oil Gs 2048	97	97
Oman Oil Gs 2049	97	97
Oman Oil Gs 2050	97	97
Oman Oil Gs 2051	97	97
Oman Oil Gs 2052	97	97
Oman Oil Gs 2053	97	97
Oman Oil Gs 2054	97	97
Oman Oil Gs 2055	97	97
Oman Oil Gs 2056	97	97
Oman Oil Gs 2057	97	97
Oman Oil Gs 2058	97	97
Oman Oil Gs 2059	97	97
Oman Oil Gs 2060	97	97
Oman Oil Gs 2061	97	97
Oman Oil Gs 2062	97	97
Oman Oil Gs 2063	97	97
Oman Oil Gs 2064	97	97
Oman Oil Gs 2065	97	97
Oman Oil Gs 2066	97	97
Oman Oil Gs 2067	97	97
Oman Oil Gs 2068	97	97
Oman Oil Gs 2069	97	97
Oman Oil Gs 2070	97	97
Oman Oil Gs 2071	97	97
Oman Oil Gs 2072	97	97
Oman Oil Gs 2073	97	97
Oman Oil Gs 2074	97	97
Oman Oil Gs 2075	97	97
Oman Oil Gs 2076	97	97
Oman Oil Gs 2077	97	97
Oman Oil Gs 2078	97	97
Oman Oil Gs 2079	97	97
Oman Oil Gs 2080	97	97
Oman Oil Gs 2081	97	97
Oman Oil Gs 2082	97	97
Oman Oil Gs 2083	97	97
Oman Oil Gs 2084	97	97
Oman Oil Gs 2085	97	97
Oman Oil Gs 2086	97	97
Oman Oil Gs 2087	97	97
Oman Oil Gs 2088	97	97
Oman Oil Gs 2089	97	97
Oman Oil Gs 2090	97	97
Oman Oil Gs 2091	97	97
Oman Oil Gs 2092	97	97
Oman Oil Gs 2093	97	97
Oman Oil Gs 2094	97	97
Oman Oil Gs 2095	97	97
Oman Oil Gs 2096	97	97
Oman Oil Gs 2097	97	97
Oman Oil Gs 2098	97	97
Oman Oil Gs 2099	97	97
Oman Oil Gs 2100	97	97
Oman Oil Gs 2101	97	97
Oman Oil Gs 2102	97	97
Oman Oil Gs 2103	97	97
Oman Oil Gs 2104	97	97
Oman Oil Gs 2105	97	97
Oman Oil Gs 2106	97	97
Oman Oil Gs 2107	97	97
Oman Oil Gs 2108	97	97
Oman Oil Gs 2109	97	97
Oman Oil Gs 2110	97	97
Oman Oil Gs 2111	97	97
Oman Oil Gs 2112	97	97
Oman Oil Gs 2113	97	97
Oman Oil Gs 2114	97	97
Oman Oil Gs 2115	97	97
Oman Oil Gs 2116	97	97
Oman Oil Gs 2117	97	97
Oman Oil Gs 2118	97	97
Oman Oil Gs 2119	97	97
Oman Oil Gs 2120	97	97
Oman Oil Gs 2121	97	97
Oman Oil Gs 2122	97	97
Oman Oil Gs 2123	97	97
Oman Oil Gs 2124	97	97
Oman Oil Gs 2125	97	97
Oman Oil Gs 2126	97	97
Oman Oil Gs 2127	97	97
Oman Oil Gs 2128	97	97
Oman Oil Gs 2129	97	97
Oman Oil Gs 2130	97	97
Oman Oil Gs 2131	97	97
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Oman Oil Gs 2133	97	97
Oman Oil Gs 2134	97	97
Oman Oil Gs 2135	97	97
Oman Oil Gs 2136	97	97
Oman Oil Gs 2137	97	97
Oman Oil Gs 2138	97	97
Oman Oil Gs 2139	97	97
Oman Oil Gs 2140	97	97
Oman Oil Gs 2141	97	97
Oman Oil Gs 2142	97</	



Stock Exchange Prices

Tone holds steady

ACCOUNT DAYS: Dealings Began, Dec 12. Dealings End, Dec 30. § Contango Day, Jan 3. Settlement Day, Jan 11.

§ Forward bargains are permitted on two previous days.

SPORT

Racing

Walwyn hopes for Boxing Day presents at Kempton Park

By Michael Phillips

Racing Correspondent

Felic Walwyn has high hopes of winning the two most valuable races run at Kempton Park on Boxing Day, the King George VI Steeplechase and the William Hill Christmas Hurdle. Two months ago he went close to bringing off a most rewarding double when Fort Devon finished second in the steeplechase half a length behind the winner and Dramatist won the hurdle. This time he will be sending the same two horses and obviously has an excellent chance of winning both races.

No one knows better than Walwyn what sort of horse is necessary to win the King George. He won the first race held in 1947 with Rowland Boy, and he has won it four times since; twice with his own gelding, and with Millions and The Dillid. The only other to have won the race more than twice was the late Peter Cawley, who won it four times in the 1950s.

He told me yesterday that



Walwyn: Double on his mind.

That remark was obviously in the back of Walwyn's mind on Saturday, when he asked for time off which he will take in the future. After giving it much thought, Walwyn has decided to persevere for the time being and let Dramatist take his chance again in the Cheltenham hurdle in which he beat Night Nurse and Birds Nest by a neck and a head last year.

Sedgefield programme

12.45 TUDHOE HURDLE (£272; 2m)

1. S. Naylor (C-D) W. Wright 3-12-0

2. L. Edwards (C-D) R. Edwards 3-11-0

3. J. O'Neill (C-D) W. Edwards 3-11-0

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Property



Haffenden Quarter, at Smaden, in Kent.

Specialized country conversion

Separate self-contained wings of older and larger country houses remain very popular if somewhat specialized section of the property market. It is true that some divisions of large houses are less successful than others. Not every such building lends itself to conversion in a way which ensures privacy for the separate occupiers.

On the other hand a good conversion of this kind does afford an opportunity to acquire a home with well proportioned rooms in a house which may be architecturally and even historically interesting yet still be of manageable size.

One interesting example is a property called Trout House, in Little Missenden, Buckinghamshire, which is a fine self-contained wing of a larger country house.

The Georgian property called Missenden House, thought to date from 1729, Accommodation includes a study and drawing room near 30ft long and more than 25ft wide off which there is a dining area reached through two archways.

This is a large room with four bedrooms and two bathrooms. A feature of the property is the grounds of about two acres bounded on the north by the River Misbourne, which flows into a lake stocked with fish and water plants and a swimming pool, besides which is a paved terrace believed to have been designed by Capability Brown.

Offers are invited for sale of about £65,000. Tel. 0494 222222. Ask through Mr. D. Wood.

For somebody wanting to try their hand at a similar kind of conversion, an opportunity is provided by a detached bungalow, recently converted, near Callington in Cornwall, which is for sale with planning consent for conversion to a house.

In its present form it is a two-storey bungalow building constructed mainly before 1850, with a slightly later wing. It has, on occasions, been visited by various members of the Royal Family, and is situated in a quiet rural area.

As it stands, it has two main reception rooms, a study, a playroom or additional sitting room, ten bedrooms and two staircases. Gardens and garage.

The property failed to reach its reserve at a recent auction and is for sale at £34,000. Joint agents are Body, Son and Partners, of Plymouth, and Gurnett and Hobarrow, of Exeter.

More the traditional country property.

Very elegant is Glebe House, at Farningdon, near Exeter, Devon, a fine early eighteenth century country house in the Queen Anne style with the tall windows of the period. Accommodation is fairly extensive, with two main reception rooms, a study, two bedrooms, two and bedroom suites, two other main bedrooms and a further four on the second floor.

Gardens and grounds, through which a small stream flows, extend to about 10 acres and include an area of woodland and two paddocks.

Ruins. It is a fine Kentish farmhouse believed to date originally from the sixteenth century with brick and whitewashed timberboarded walls under tiled roofs.

Good modernization is a characteristic of property called Larks, at Colemans Hill, Pensalee, near Guildford, in Surrey. It is thought to date from the 1630s and is of timber frame construction with brick and flint walls.

It is in residential use, subject to planning permission. The price is £10,000, and the agents are Fox and Sons, of Exeter.

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£6,000 plus appointments

Taxation Assistant

The Confederation of British Industry is looking for an Assistant in its Taxation Department.

The job involves work connected with all UK taxes and offers a very unusual opportunity to a young specialist to look at the UK tax system from the overall policy viewpoint as well as to give detailed consideration to existing and prospective tax legislation. There will also be scope for the successful candidate to acquire knowledge of the tax systems of other countries and to meet a wide variety of people with different interests in the subject of taxation.

Candidates should be newly qualified in accountancy or law (or possibly AT11) or have qualified within the last two years or so. Some practical tax experience is essential and an Economics degree would be an advantage. An ability to write and think clearly and creatively and to communicate at all levels is necessary.

Salary will be attractive and will depend on qualifications and experience.

Please write for application forms to Jane Hopkinson, CBI, 21 Tothill Street, London, SW1H 9LP. (Telephone: 01-930 6771).

Head of Systems Consultancy

An international garment manufacturer is setting up a group of internal consultants in productivity and computer-based systems, under the policy direction of a User Committee.

The successful applicant will recruit, train, motivate, and control these consultants, negotiate projects and chair the User Committee. He or she will report to a main board Director.

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Particulars of this dividend will be sent to shareholders by COUPON NO. 51, dated 2nd February 1978. German Capital will be paid on the dividend. Persons for whom shares are held in the name of the "E. W. SCHÖFELD & CO., Limited, London, Management Agent, 100 Grosvenor Gardens, London SW1" should apply to the offices of:

BERLINER KRAFT-UND LIGHT BEWBAG - SCHÄFER & HAHN POWER AND LIGHT BERLIN, GERMANY 1977.

THE BIRMINGHAM MENT LTD. is hereby given that for the interim dividend of £1.00 per share on each ordinary share will be paid on 1st February 1978 to the holders of ordinary shares registered in the name of the Company on Friday, 26th January 1978. The Board of Directors of the Company, on Friday, 26th January 1978, resolved that the dividend will be paid on 1st February 1978.

By Order of the Board,
A. S. G. Secretary.

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IN THE HIGH COURT OF JUSTICE Chancery Division, Company Court, in the matter of the Companies Act 1948 and in the matter of PETTICOAT FURNITURE LTD. and FORD ESTATES Limited and in the matter of the winding-up of the same. Notice is hereby given that PETTICOAT FURNITURE LTD. were summoned before the High Court on the 11th day of December 1977, and any creditor or contributary of any of the said companies is invited to appear or oppose the making of an order for the winding-up of the same at the time of hearing in person or by his Counsel for the purpose of which notice will be furnished to any creditor or contributary of any of the said companies requiring the same to be present and to understand the terms of the resolution on the winding-up of the same.

ERIC STONES, Solicitor,
Inland Revenue, Somers Row,
Westgate Strand, London.

NOTE: Any person who intends to appear or oppose the making of the said Petitions must serve on or send to the person named in the notice in writing a notice addressed to the said person, giving the name and address of the firm, or the name and address of the person or firm, or his or their solicitor, if any, and must be served in sufficient time to enable the said Petition to be heard not later than four weeks after the date of the first day of January, 1978.

THE HIGH COURT OF JUSTICE IN THE MATTER OF THE COMPANIES ACT 1948 AND IN THE MATTER OF BUDGET BROTHERS LTD. AND IN THE MATTER OF THE LIQUIDATION.

Notice is hereby given pursuant to section 442 of the Companies Act 1948, that a GENERAL MEETING of the creditors of the named Company will be held at the Office of Messrs. G. R. Gresham & Son Ltd., 11 St. Margaret's, London, SE1, on the 12th day of January, 1978, at 11 a.m. for the purpose of a GENERAL MEETING of creditors for the consideration of the Liquidator's Acts and Dealing with the conduct of the business up to date.

Dated this 9th day of December, 1977. D. W. HAWKINS, Liquidator.

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Notice is hereby given pursuant to section 442 of the Companies Act 1948, that a GENERAL MEETING of the creditors of the named Company will be held at the Office of W. H. COKR, GULLY & CO. LTD., 11 St. Margaret's, London, SE1, on the 10th day of January, 1978, at 11 a.m. for the purpose of a GENERAL MEETING of the creditors for the consideration of the Liquidator's Acts and Dealing with the conduct of the business up to date.

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BAHRAIN

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Gateway prepares to open wider

by Patrick O'Leary

island out in the shallow waters which surround the country, and approached by a seven-mile causeway.

But even this piece of engineering is overshadowed by the decision to go ahead with a project that has been discussed for many years, a causeway closer to its more powerful neighbour is discounted.

Yousuf Ahmed Shirawi, Minister of Development and Industry, told the Middle East Economic Digest earlier this year: "There already is a causeway between Bahrain and Saudi Arabia. There is an air-link and a sea link. There is a tradition and history of good relations. We are already one of the gateways between Bahrain and Saudi Arabia."

British Steel Corporation is one of the firms hoping to join in a consortium bidding for an undertaking which will require some 200,000 tons of steel. The exact route, which will include the island of Umm an Nasan as a stepping stone, was kept secret until recently.

This was to prevent speculation in land along the west coast of Bahrain which will be needed to take new roads for the 4,000 cars and 600 commercial vehicles expected to cross daily in the mid-1980s. Border controls will be based on Umm an Nasan.

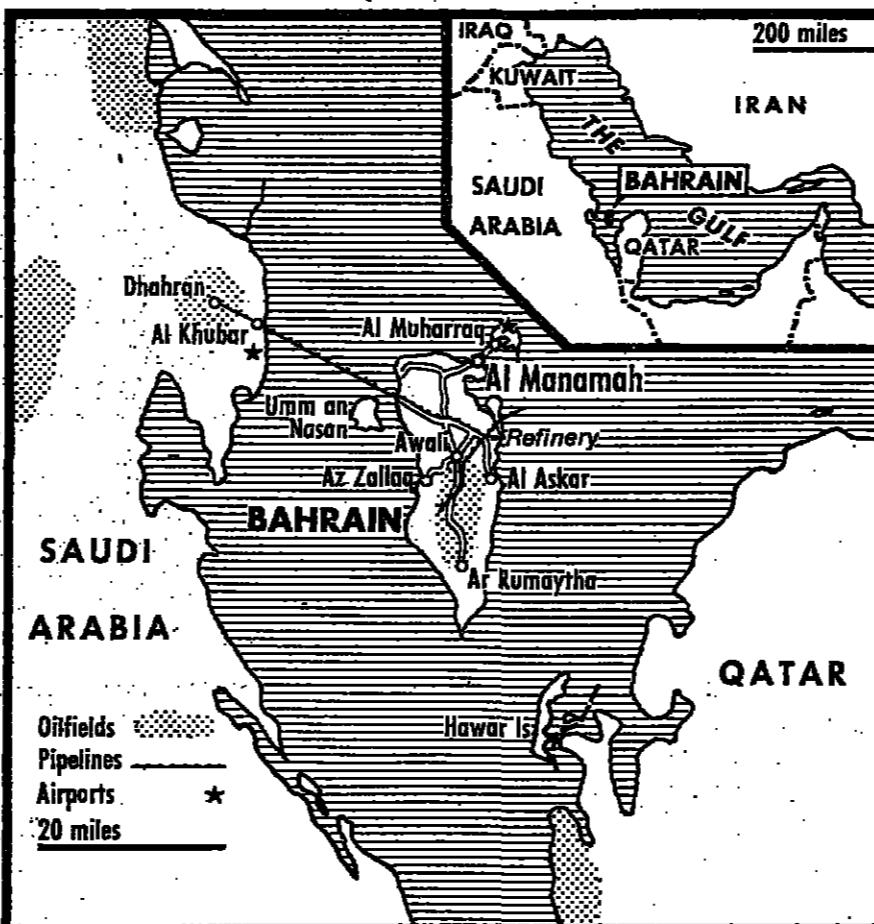
Bahrainis see the causeway as a further move in their drive to make their country an offshore service centre in the Gulf. It will bring their port of Mina years after Britain's entry into Community. But until east neighbours. When its direct touch with the Arab mainland.

There is also the hope that food and other imported goods will become cheaper with the establishment of a land link with Europe and Africa. Any dispute about bringing the country closer to its more powerful neighbour is discounted.

Yousuf Ahmed Shirawi, Minister of Development and Industry, told the Middle East Economic Digest earlier this year: "There already is a causeway between Bahrain and Saudi Arabia. There is an air-link and a sea link. There is a tradition and history of good relations. We are already one of the gateways between Bahrain and Saudi Arabia."

It is true that relations between them are close. An air shuttle service between Muharraq and Doha opened in May. A pipeline takes Saudi oil to the refinery in eastern Bahrain. The wealthier nation has also contributed handsomely to social and commercial investment in the smaller, and has encouraged other prosperous Gulf states to do the same.

Perhaps the opening of a formal land link will prove to be an anticlimax, the sort of situation that will arise if largely that of a small United Arab Emirates operating in eastern Saudi Arabia will also find their expatriate staff prefer to live in the fairly relaxed European dominated by more powerful way. In addition to big developments in hotels, in social atmosphere of Bahrain, its new fleet of Tri-star operates alongside aircraft from many Western and Eastern countries.



bout. Whatever other effects this will have, it seems likely to increase inflationary pressure in Al-Manamah.

According to official figures inflation in the first half of this year rose only 2.5 per cent compared with 14 per cent a year ago. Government subsidies have reduced the cost of basic food, housing and power.

A flexible approach to business propositions, and the ability to recognize a piece of good fortune when it presents itself have marked Bahrain's progress in the twentieth century. When its prosperous pearl trade declined 50 years ago, it switched to oil production. Revenues, by the standards of many of its neighbours, were modest, but part of them were used to develop public services.

Bahrain Telephones, a wholly-owned subsidiary of Cable and Wireless, is spending £58m over the next five years to catch up with the backlog of orders arising from the arrival of offshore banks and money brokers. Purchases include

The freedom from taxation and restrictions granted to the offshore banks has just been extended to approved service companies whose main business is not in Bahrain. But such companies will have to maintain a properly manned office there, and not just a brass plate presence.

An international business centre needs strong communications. Muharraq airport is the headquarters of Gulf Air, jointly operated by Bahrain, Qatar, the United Arab Emirates and Oman. Its new fleet of Tri-star operates alongside aircraft from many Western and Eastern countries.

Concorde has flown to the first half of this, links between Britain and Bahrain became steadily stronger. The airport, which has been described as the

Clapham Junction of The Gulf, serves more than a million passengers a year, as well as a growing freight traffic. Although a new terminal was opened in 1971, it had to be extended. There are non-stop flights to New York as well as to many European and Eastern cities.

Eventually Bahrain was the headquarters for the British Political Resident covering the whole Gulf, and a base for the Royal Navy, Royal Air Force, and British troops. But in internal affairs Britain could intervene only in an advisory capacity.

Since 1971 the Emir, Shaikh Isa bin Sulman al-Khalifa, has ruled an independent state which was annexed by his family nearly 200 years ago.

However, Britons still form the biggest European community in the country, others including Americans and the Portuguese, who ruled Bahrain in the sixteenth century. There are bigger contingents from Oman, India, Pakistan and Iran. But it is estimated that out of a total population of more than 250,000, nearly four fifths are Bahrainis.

It is apparent that much of the Government's energy and resources have been devoted to creating an educated lower middle class, with their own homes and white collar jobs. This has been aided by the enthusiasm with which women have gone into banks and other offices.

Some may still wear the enveloping black cloak while going to work—in case they meet grandmother on the way—but once there they discard it and do their work in modern dress. A few of the more conservative retain a kind of headscarf to conceal much of their faces.

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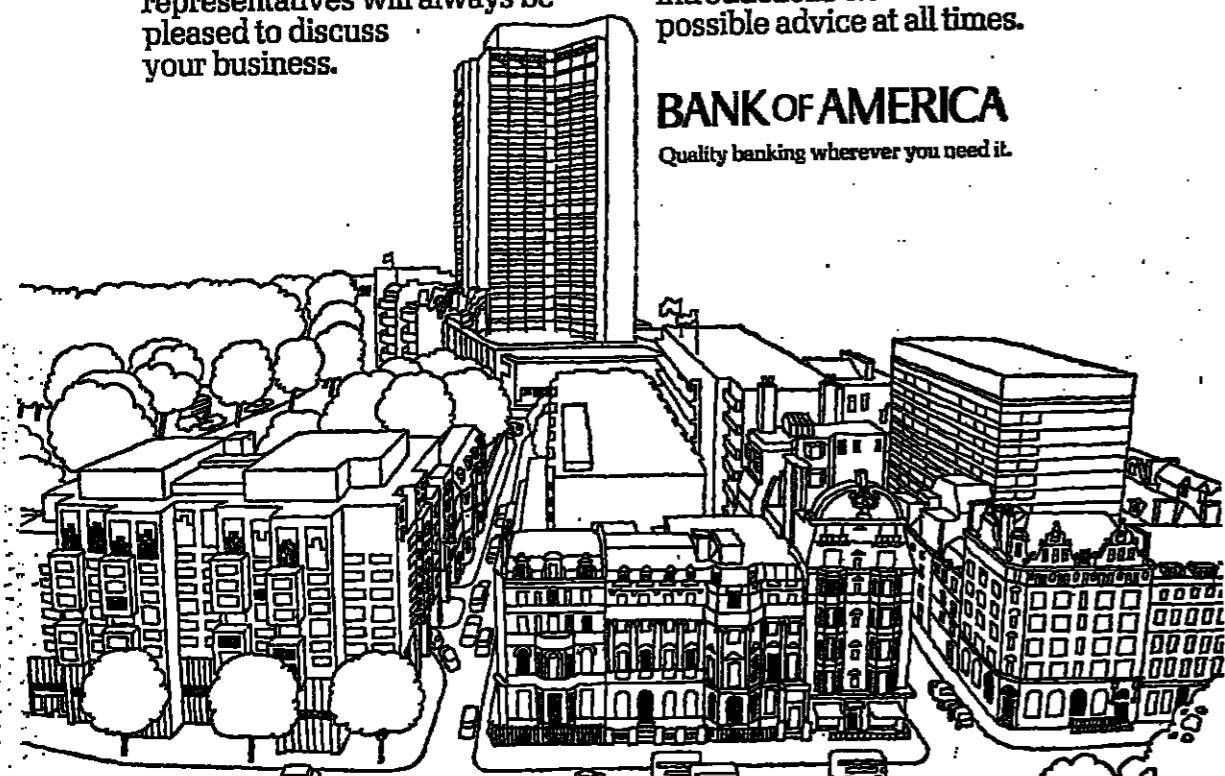
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Rolls-Royces on Al-Manamah: there is keen competition to win a slice of the booming trade.

Politics finds its outlet in business

by Ann Fyfe

Bahrain has a highly educated, articulate population with high material expectations and with no representative forum through which to direct its demands since the dissolution in 1975 of the National Assembly. Not that the Assembly turned out to be much of a two-way channel: the reasons for and effects of its dissolution, and the direction in which the governmental process has developed during two years without formal representative check, are thus the important areas of inquiry in contemporary Bahrain politics.

Trade, Bahrain's distinguishing activity, has proved the great shock-absorber in this respect and its promotion is the Government's foremost preoccupation. Or, to phrase this basic datum differently, trade mitigates ideological commitment on both right and left.

Because so much post-Assembly legislation has been concerned with commerce and employment, the stately corridors of the Chamber of Commerce are in some sense the seat of opposition in that the merchants are the scrutineers and critics of this large part of Government activity.

Slightly rule with mercantile constraint seems to have been the historical status quo and by this argument the 1977 system of government is a return to the pre-Assembly norm.

Four main groups with differing economic and religious backgrounds make up the Bahraini populace, which itself constitutes about 80 per cent of the island's total of a quarter of a million or more.

Aboriginal farmers and fishermen, established in the archipelago centuries before the arrival of the present-day ruling classes, are Shi'ite Muslims and now are found mostly in remote rural areas.

Ancestors of the present Emir arrived in Bahrain

from Kuwait and the north

by way of Qatar towards the end of the eighteenth century and took the islanders from their contemporary Persian governors. Since then the Al-Khalifa have ruled without interruption.

This Sunni Muslim Arab clan was accompanied on its migration by kindred whose chief occupation was commerce, principally the pearl trade, and these are still found in the largest trading establishments.

Over the past century, large numbers of Iranian families, both

Sunni and Shi'ite, the latter mostly artisans, have found

their way to Bahrain. Shi'ite

and Sunni are approximately

evidently balanced numerically.

When campaigning for Bahrain's first elections in December 1973 began, the dominant merchant élite were well represented among the candidates and confidently expected to have the louder voice in the Assembly.

Instead, to their amazement, the voting by adult male suffrage produced a distinctly dissenting, non-merchant, anti-government chamber.

Some 85 per cent

of eligible Bahrainis voted

and the ballot was secret, the

election results were un-

assailable.



Government House, Bahrain: since the National Assembly was dissolved in 1975, the Emir rules by decree.

What became of the members and how has government been conducted since the dissolution?

It is there that commerce has been influential.

The island's trade is booming and the aspiration of the Bahrainis seems

to be to participate in this

prosperous activity. Other

political groupings are

known to exist, however,

some have affiliations to

the Popular Front for the

Liberation of Oman, some

with Baathist sympathies and

support others communist

and others still with extreme

religious views. It is for the

suppression of these groups

that the detention clauses

are invoked and it does

seem that there are political

prisoners. Rumours were

of during the trial of

Madani's murderers about

the treatment of the accused

men.

Britons still fill the posts

of Director-General of Police

and Chief of the Security

Services and the head of the

CID in Jordanian.

Government is now in all

intents and purposes govern-

ment by emiri decree but

the European student must

before delivering judgment

learn the basic lesson that

in Arab tribal society (how-

ever diluted tribal power

may be in advanced Bahrain)

one of the ruler's primary

functions is that of ombuds-

man against his own minis-

ters within constraints to raise

living and working conditions

on the other.

Missing from this account

of the political composition

of Bahrain has been known

at the consultation stage.

While older citizens and

those close to the ruling

family still present their

petitions directly to the ruler

as far as one can ascertain

there is no burning sense of

grievance on the island in

itself.

Legislation originates in

the Cabinet and is endorsed

by Shaikh Isa, whose views

will have been made known

at the consultation stage.

While older citizens and

those close to the ruling

family still present their

petitions directly to the ruler

as far as one can ascertain

there is no burning sense of

grievance on the island in

itself.

It has been a natural devel-

opment that others turn in-

to the surface, declining in

importance.

increasingly to the ministries

to lobby for their demands

and security interests

and it is the fact of population

distribution which means

that villages tend to be

either Sunni or Shi'ite, but

not both. As a result, a

school non-sectarian intent

will in practice be attended

by only one of the two sects.

The Shi'ite claim to be

larger of the two but in high

government positions they

are notably few: they have

five out of 17 ministers at

present.

Generally speaking, the

Sunni are better off materi-

ally. Religion is not, how-

ever, the burning issue of

the day, any more than are

the Assembly or foreign

immigration (which fuels

such heat in neighbouring

Gulf countries whose Arab

population forms the minor-

ity). The main bones of con-

tention relate to material

rather than ideological, que-

ries. The most controversial

are issues over rents, land,

the cost of living, employ-

ment and welfare, in all of

which sectors expecta-

tions are capable of being satis-

fied by means of high gov-

ernment expenditure.

To make projections for

the future, therefore, the

student must begin by ask-

ing whether the will and the

wherewithal to maintain

such a level of spending

exist. Evidence to date is

that they do.

Not all free far rights

or far leftists have been

assimilated into gaunt

walks of life, but their views

must be expressed covertly

and counting them is thus

extremely difficult. It seems

reasonable to conclude, how-

ever, that the diligent pur-

suit of prosperity has pushed</p

Aluminium the staple of a broad job strategy

by Michael Prest

since then as a result of the Government's efforts.

For nearly a decade the Government of Bahrain has been pursuing a strategy designed to create as wide a range of jobs as possible. There have been two main objectives: to train the workforce and to meet part of the country's demand for manufactured goods.

The last census, in 1971, showed that of the 60,301 workforce, only some 4,312 were in industry. That number can safely be assumed to have risen noticeably

from Australia, but overcome by resuming cheap electricity was at hand. The gas turbine station which supplies the plant generates 300 megawatts. Expert advice was provided by Kaiser Aluminium of the United States, which was a 17 per cent shareholder in the original consortium.

Finance for the \$230m scheme was raised with the help of Mr Alan Moore,

director-general of the Bahrain Monetary Agency. When the project was proposed in 1963, partly as a way of exploiting natural gas resources, it was greeted with considerable scepticism.

Bahrain seemed an unlikely place for an aluminium smelter with a capacity of 120,000 tons a year. But despite the company's up with William & Glyn's Bank of the United Kingdom.

With admirable foresight, Bausitz had to be im-

proved from Australia, but overcome by resuming work while the smelter was still a construction site. The first 1,000 tons were dispatched in May.

Bausitz is situated in the free zone at Mina Salman, which was set up to attract small industries by exempting them from import duties on raw materials and most capital goods. Aluminium will again be the raw material for Midea Cables, a company set up earlier this year with participation by Orix of Australia.

Three or four other industrial estates are likely to be built on reclaimed land around Sitra and Al-Manamah.

The Government hopes that these measures will attract engineering and light manufacturing concerns geared to construction and regional exports.

Similar encouragement has been given to food production. In June the Bahrain Poultry Company went into business. Target production is 22 million eggs a year from 120,000 birds. Another

important enterprise is the Bahrain Fishing Company (Bafco). Its net profit for the year ending February 1977, was BD\$500,000 (\$1.26m). Bafco has reconditioned its fleet of eight trawlers at a cost of BD\$200,000 (\$505,000). In July it made a complicated rights issue and raised its capital 50 per cent to BD\$811,750 (\$1.7m).

Power for all these activities is generated by the old power station at Al-Manamah and a 100-megawatt

which also has a contract to supply Iraq with aluminium year. A third station is planned for the 1980s and the Al-Manamah plant will have its capacity upgraded by 50 per cent. Electricity output is now normally enough to avoid blackouts, even in summer, although the world's bankers attending a recent party thrown by the Bahrain Monetary Agency were plunged into darkness.

The Sitra station is linked to a desalination plant with a capacity of five million gallons at day. It will be increased to 20 million by 1982. Present total production of desalinated water is 8,300,000 cu metres a year, rising to an estimated 15,700,000 cu metres by 1982.

Apart from industry, an increasingly important source of income and employment is the traditional entrepot trade. The first half of 1977 saw exports worth BD\$103m (\$261m) leave Bahraini ports against BD\$55.4m (\$140.25m) in the same period last year.

These figures include Bahrain exports, but almost all the rest are imports. Nevertheless, Bahrain's trade deficit in the first quarter of 1977 was BD\$10.8m (\$12.8m), up from BD\$2.1m (\$51.2m) in the first three months of 1976.

The Government will probably have to get used to permanent deficits. Measures such as a recent decision to authorize offshore companies will provide jobs but will not necessarily improve the country's trading position.

Drastic measures end port congestion

For centuries Bahrainis have looked to the sea as the mainstay of their economy. The discovery of oil between the wars apparently interrupted this pattern.

But in recent years the decline in oil production and the boom throughout The Gulf generated by higher oil prices have turned attention back towards Bahrain's historic asset. The island now has one of the biggest and most important ports in the region, handles a considerable entrepot trade, and has just begun a new career as a ship repairing and servicing centre.

Bahrain's main port is Mina Salman, about 3.5 km south of Al-Manamah. The first deep-water harbour was opened in April 1972. Two more berths were added this year, bringing the working total to eight. Four more are scheduled for construction by the end of 1979, and there are provisional plans for up to 10 more, along with much bigger storage areas. The plan also envisages a harbour for small craft, and improved sea access—by deepening and widening channels—and road access.

A £47m (\$80m) contract for improvements was awarded to Enterprise A. Dodin Bouygues and Bouygues Offshore of France. The expansion was much needed. By September last year delays at Mina Salman were approaching 60 days, and the shipping conferences were imposing hefty surcharges. Severe congestion persisted into the new year, much to the annoyance of the Government which was worried about the jetties causing in other parts of a small economy dependent on imports for even the most basic necessities.

In February, the United Kingdom, Arabia and Iran Ports Conference was asking for a 35 per cent surcharge, the Japan Conference for 40 per cent, and the United States Conference for 30 per cent. One big problem was the extraordinary reluctance of merchants to remove goods from the quayside. It was estimated at the beginning of February that 50 per cent of cargo in storage had been there six months or more. Widely publicized auctions of goods brought merchants scurrying to claim their possessions.

Drastic measures were taken. New storage space was found, and 80,000 tons of goods moved to Isa Town. A contract was signed with Young Jin Enterprises of South Korea to supply 500 Korean stevedores in place of the casual workers then employed. Technical improvements in handling equipment, cranes and palletization also eased the flow, despite a rise in production of 31 per cent in May over the same time in 1976.

The result was that delays fell to 18 days in April, and nothing by the next month. It was a remarkable achievement, all the more so as the port authorities calculated that of the 151,712 tons imported through Mina Salman in April, only 76,000 tons had been collected. Surcharges were progressively cut, until now they are almost non-existent.

Bahrain can claim to be the first port in The Gulf, or indeed in Asia, to solve its congestion. Critics, however,



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GFB03	1045					1530	2230	150220	
TUE	GFB08	1050				2045	1540	2230	150230
	GFB14	1245	2050				2045	1540	2230
WED	GFB09	1050				1540			2210
	GFB15	1245	2050				1540		2210
	GFB16	1315		5	8445		2045	1540	2210
	GFB18	1345		5	8445		2045	1540	2210
THURS	GFB03	1445		2045		1540	2230	150240	
	GFB14	1515		5	8445		2045	1540	2210
FRI	GFB03	1000		2045		1540	2230	150250	
	GFB18	1245	2050	5	8445		2045	1540	2210
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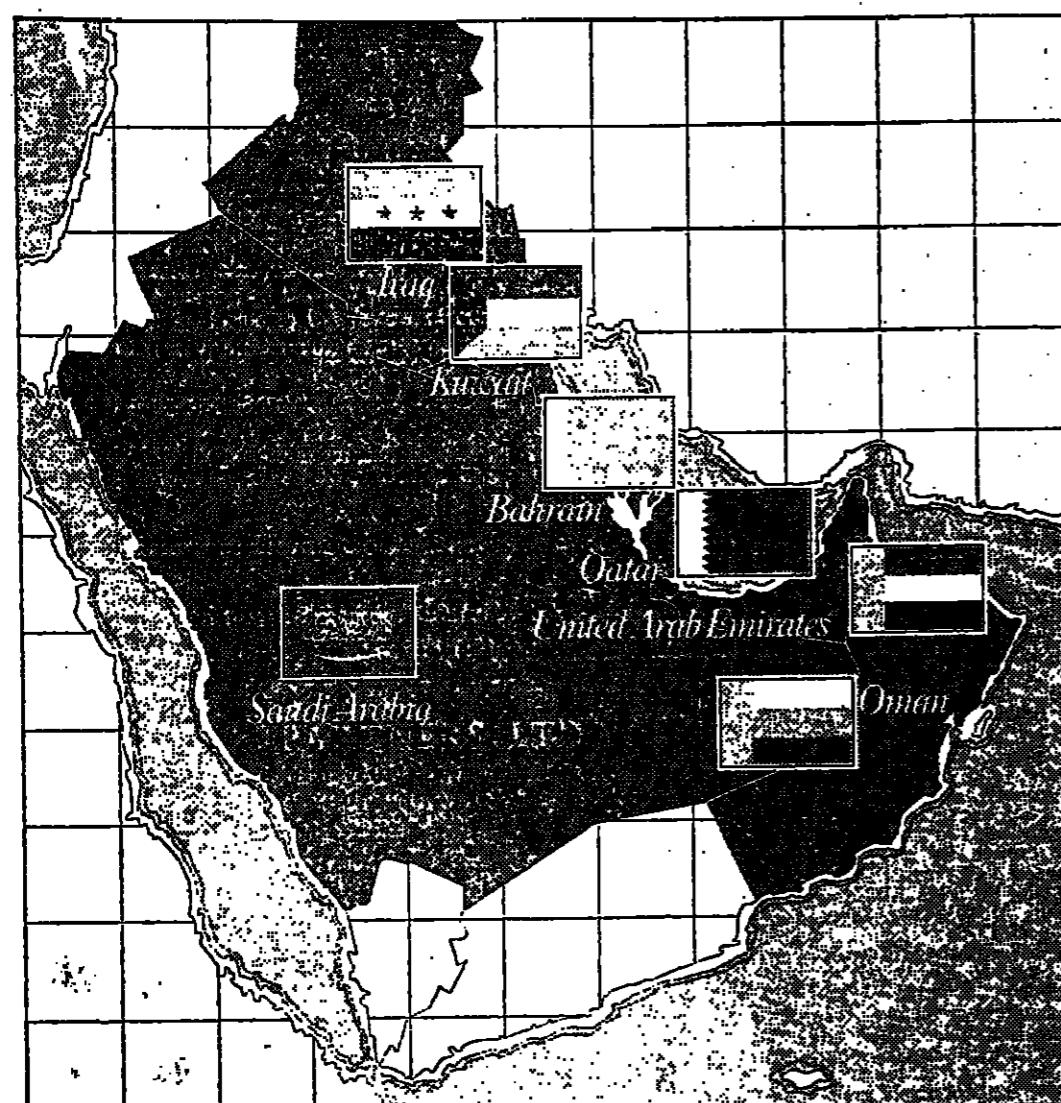
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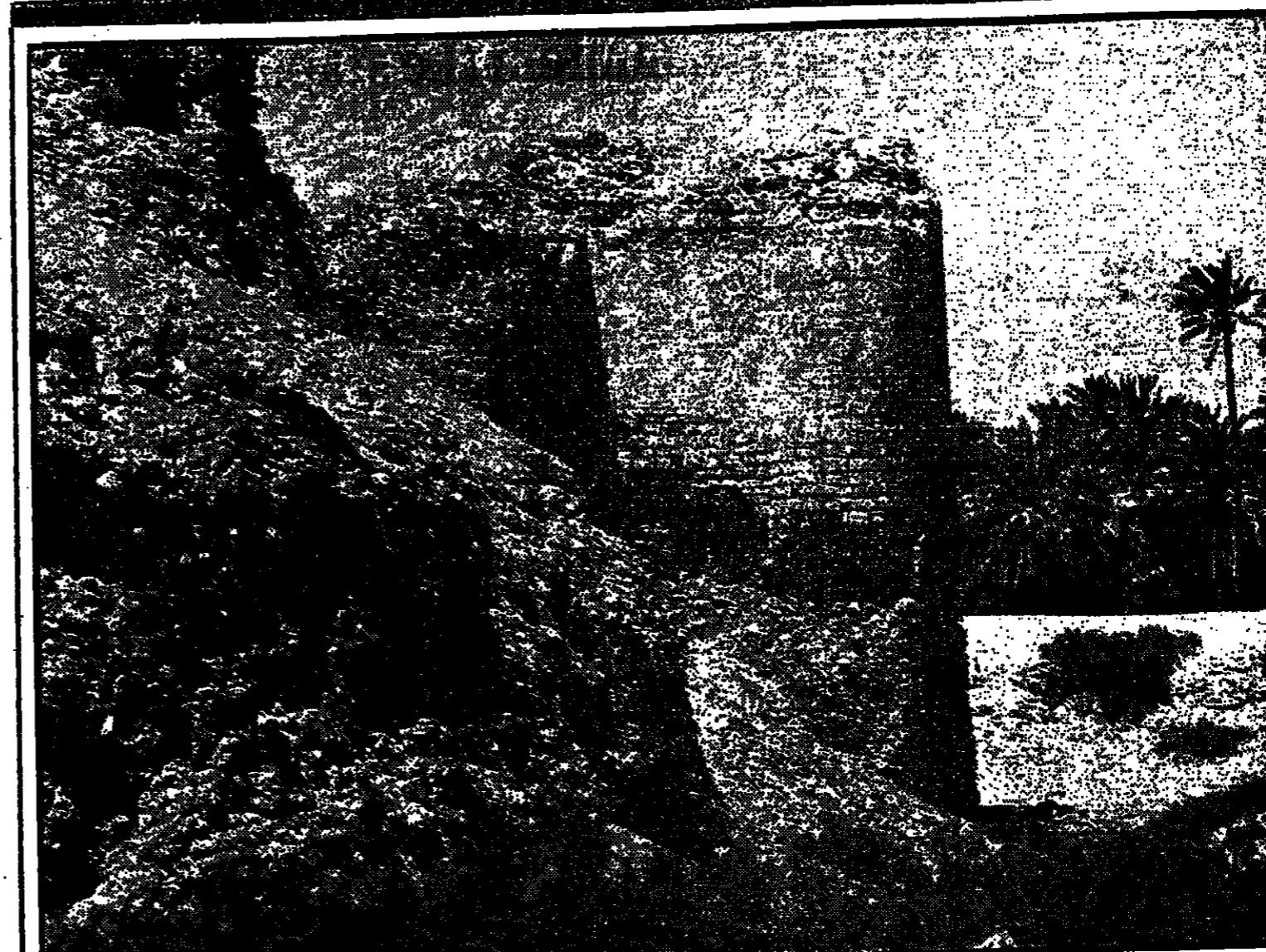


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These ruins of this Portuguese fort at Qalat al Bahrain bear a superficial resemblance to the Zimbabwe ruins in Rhodesia. Both forts were used in the African slave trade.

Philip of Macedon find spurs search for riches beneath the sands

by Patrick O'Leary

When winter comes the archaeologists get busy in Bahrain, one of the first Arab countries to encourage their work. A square tent is the headquarters of a French team excavating an Islamic city on the northern coast of Qalat al-Bahrain.

It is just one of a series of cities built on the same site, spanning 3000 BC to the sixteenth century, when the Portuguese manned the fort whose ruins rise above it.

A few miles to the west at Diraz, another tent is pitched beside the remains

of a temple excavated by a joint Bahrain-British team. It was a columned building, believed to have been constructed nearly a thousand years before comparable temples appeared in Greece.

On the west coast of the island emergency digs have begun into a number of sand-covered mound tombs which lie on the route of the new road which will serve the proposed causeway to Saudi Arabia. Such tombs from the pre-Christian era are found in several parts of Bahrain.

They are referred to as the 100,000 tombs, but an accurate count would be difficult, and it is thought there may be as many as 200,000.

It was these mounds which first excited the curiosity of archaeologists. Bahrain craftsmen adopt a more pragmatic attitude to them. The inland village of Aali has the biggest combs, some two or three storeys high.

Captain Durand, went to Bahrain at the instigation of Lieutenant-Colonel E. C. Ross, Political Resident in The Gulf, to carry out what was something of a diplomatic and military reconnaissance. The extracts from his report published in 1859 in *The Journal of the Royal Asiatic Society* pointed out that Bahrain was vulnerable to attack from the mainland across the narrow seas.

He commented: "From the top of the Jebel Duluk, or hill of smoke, in the very centre of the island, a perfect view of this sea and the encircling mainland is obtainable, and this, if necessary, could be very easily made use of as a signalling station."

Captain Durand's inscribed stone was destroyed during the last war, but Sir Henry's view received support about the same time from Dr Peter Bruce Cornwall, an American. He excavated some of the burial mounds in 1943.

Further evidence was dug up by the Danish team after the war, hence the title of Mr. Bibby's book. They found a number of merchants' seals among the Bahrain ruins of a type also discovered in Mesopotamia and Pakistan.

A practical test will come

from the voyage of Mr. Thor Heyerdahl, who is sailing The Gulf in a ship of reeds built according to Sumerian

designs of about 3500 BC. He with a Gulf state known as hopes in this way to assess how trade and culture could have spread in the ancient world.

The British Political Agent in Bahrain from 1904 to 1912, Captain F. R. Priddy, excavated some of the Aali burial mounds. He seems to have gone about the task in a mystery fashion, racking eight of them at once with a large harbour force.

In 1925 nearly fifty other mounds were investigated by Ernest Mackay, sent to Bahrain by Sir Flinders Petrie. But there are still tens of thousands of tombs unexplored.

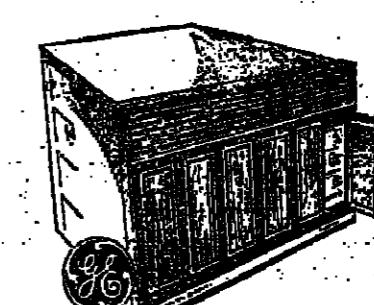
Geoffrey Bibby's own interest in Bahrain began when he worked there as an oilman in the late 1940s. He recalls arriving from London by flying boat in the days when there was only one hotel.

From that contact arose a big series of excavations which at various times involved more than 80 archaeologists from half a dozen countries as well as several hundred workmen. Their finds included the remains of three temples, the first dating back to 2500 BC, at Dizak, not far from the present excavation at Diraz.

Since the Bahrain researches have produced few objects of intrinsic value so far, artifact smuggling has not become the curse it is in other countries. But there are other hazards. One party of archaeologists, having uncovered an open coffin and stele, left them for closer study the next day. On their return the skeleton of their skull had vanished.

It is also a sensible Arab custom to use old buildings as a quarry for stones to patch up modern ones. For this reason, on temple sites the walls have been rebuilt according to Sumerian made for guarding it.

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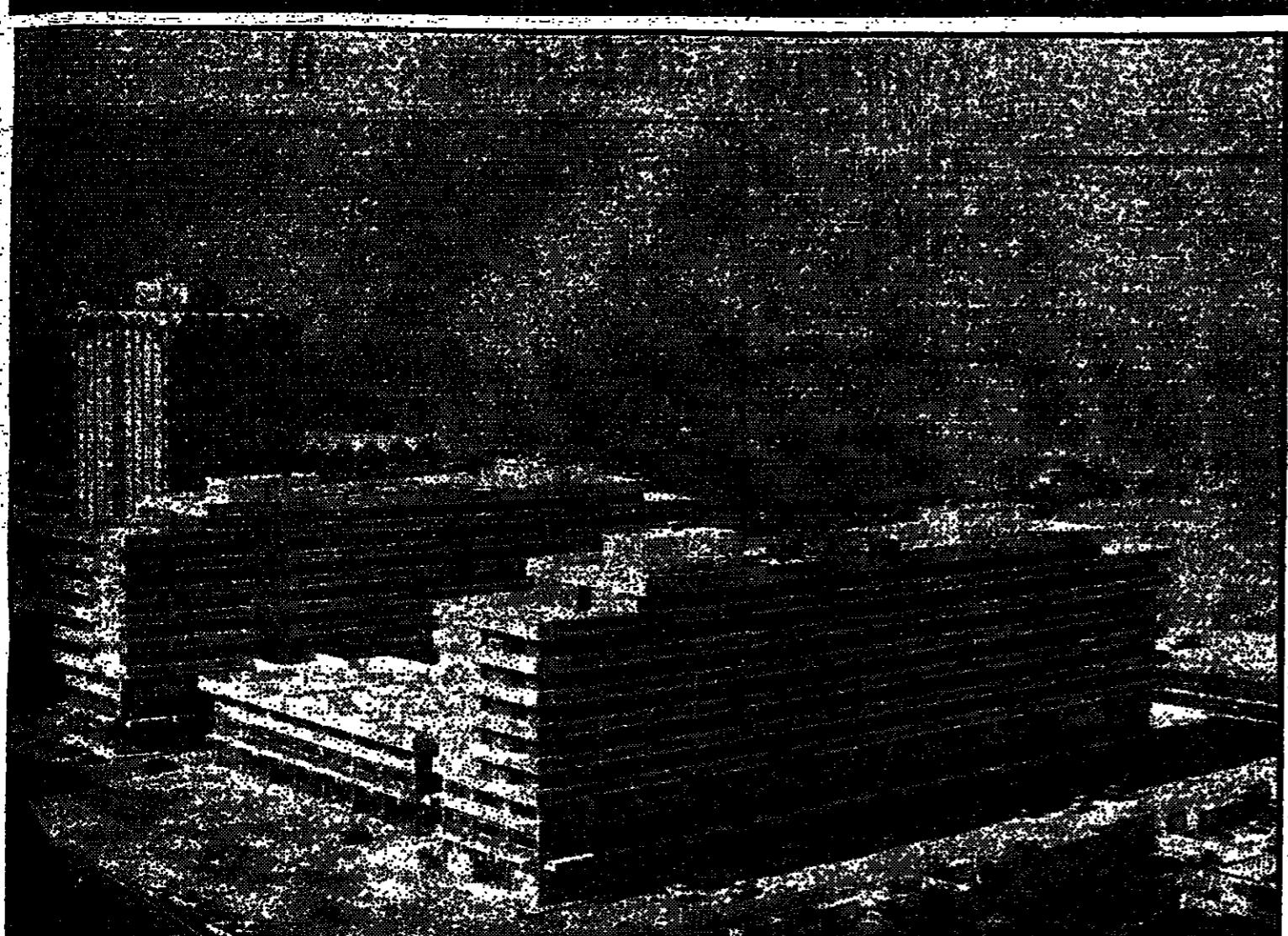
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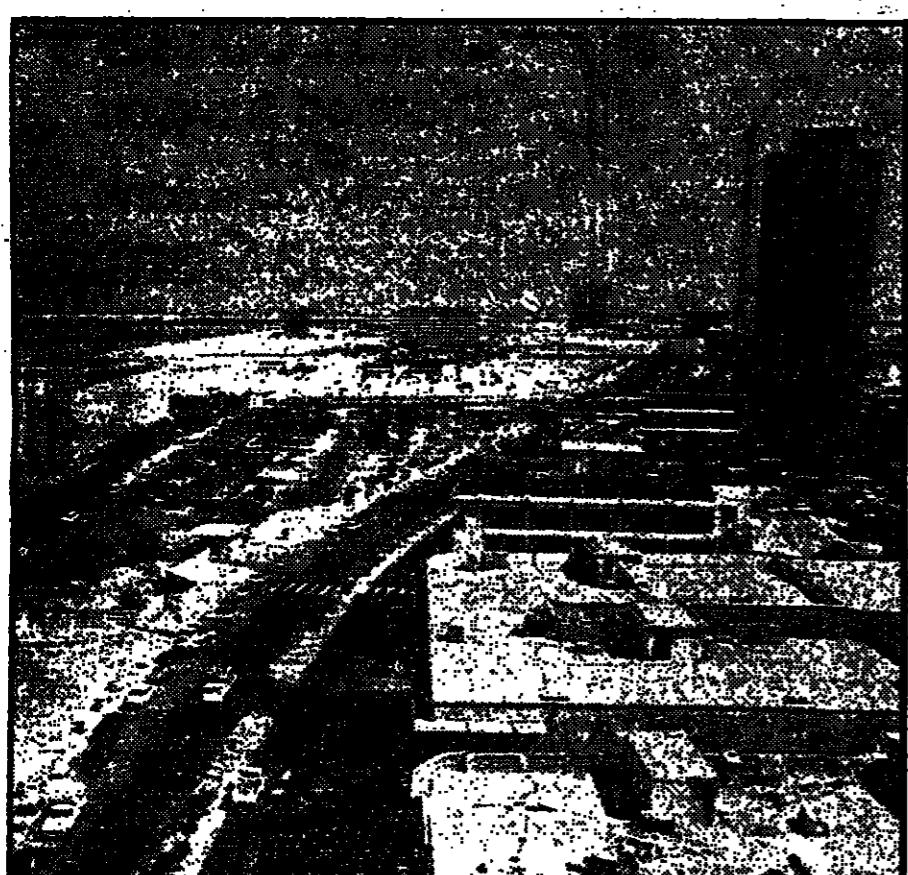
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Al-Manamah Centre, a new multi-million pound project comprising three blocks of showrooms, offices and flats, has arisen in Government Road, Bahrain's main business and administrative thoroughfare. The National Bank of Bahrain tower (left) looms over it.

Horror stories arise as buildings go up at feverish rate



Property development has pattered has been a 50 per cent drop in rents since last year.

However, the slackening last is the view of observers on the spot, though it which seemed too feverish difficult to believe when to last. Government surveying the amount of sources said construction work in progress not only costs trebled between 1973 in central Al-Manamah, but and 1976 with land values on its outskirts and in many rising up to six times. High prices made house ownership impossible for many towns and villages.

But horror stories circulate. "Some half-finished buildings are likely to remain that way", a resident of speculators growing fat.

Another told of a high-class estate where only Labour and materials are expensive, and both have自由 come out of more than 20 houses had been let. A wel-

come side-effect for ex-

patiates has been a 50 per cent drop in rents since last year.

came from a level of activity

which seemed too feverish

to last. Government

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ship impossible for many

towns and villages.

It was not entirely a case

of speculators growing fat.

Labour and materials are ex-

pensive, and both have

freed

from

abroad, or when local sand

is used they

have to be washed in filtered

water. This is because salt

and sulphur in the local

supply can cause trouble if

they come into contact with

reinforcing metals.

For the same reason cars

suffer excessively from rust,

which is why Bahrainis can

be seen washing their vehicles

beside some of the sweet

water streams, in defiance of

notices forbidding the practice.

Builders at least have the consolation that cement sets rapidly in the Gulf climate.

Three or four multi-mil-

lion-pound commercial developments will be testing the market over the next few months.

Al-Manamah Centre, the heart of the city's business and administrative thoroughfare, Government Road, contains three blocks offering a total of 300,000 sq ft of showrooms, offices and flats.

Office space is priced at about £11 a sq ft annual

rent, and three-bedroom flats at some £1,100 a month.

In addition tenants have to meet a municipal tax of 10 per cent on rent,

and at least another 10 per cent service charge.

Service is an important aspect of renting property.

Even modern buildings quickly look seedy in a hot

climate if paintwork is

neglected or staircases are left unswept.

The centre is Bahrain-owned, but letting and management are in the hands of Cluttons, the London chartered surveyors. Mr

Simon Troughton, the resi-

dent manager, said he be-

lieved the commercial space

would appeal to companies

such as banks, which were

expanding and wanted to

move into bigger and better

premises.

"We believe the down-

tum has stabilized in the

commercial market," Mr

Troughton said, "although

the residential side is still

volatile." He thought off-

shore companies would be

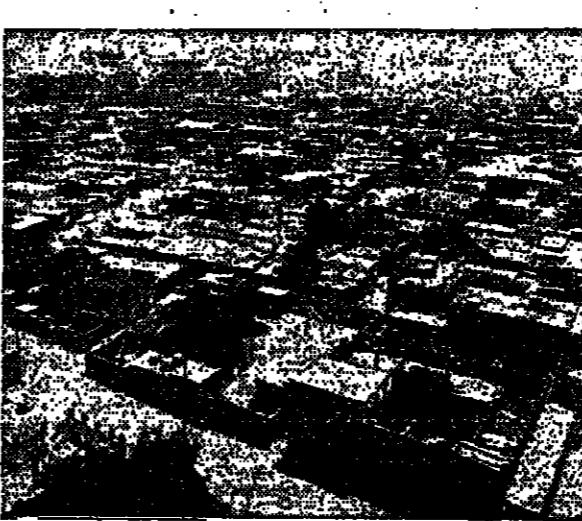
cautious about establishing

offices in Bahrain, in spite

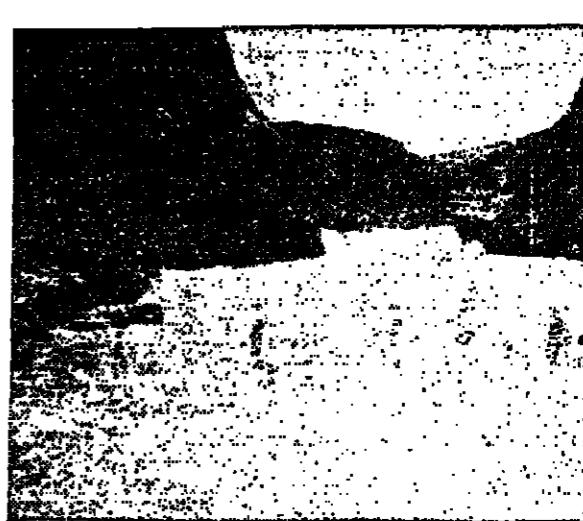
of recent government moves

to solve the dilemma have included the

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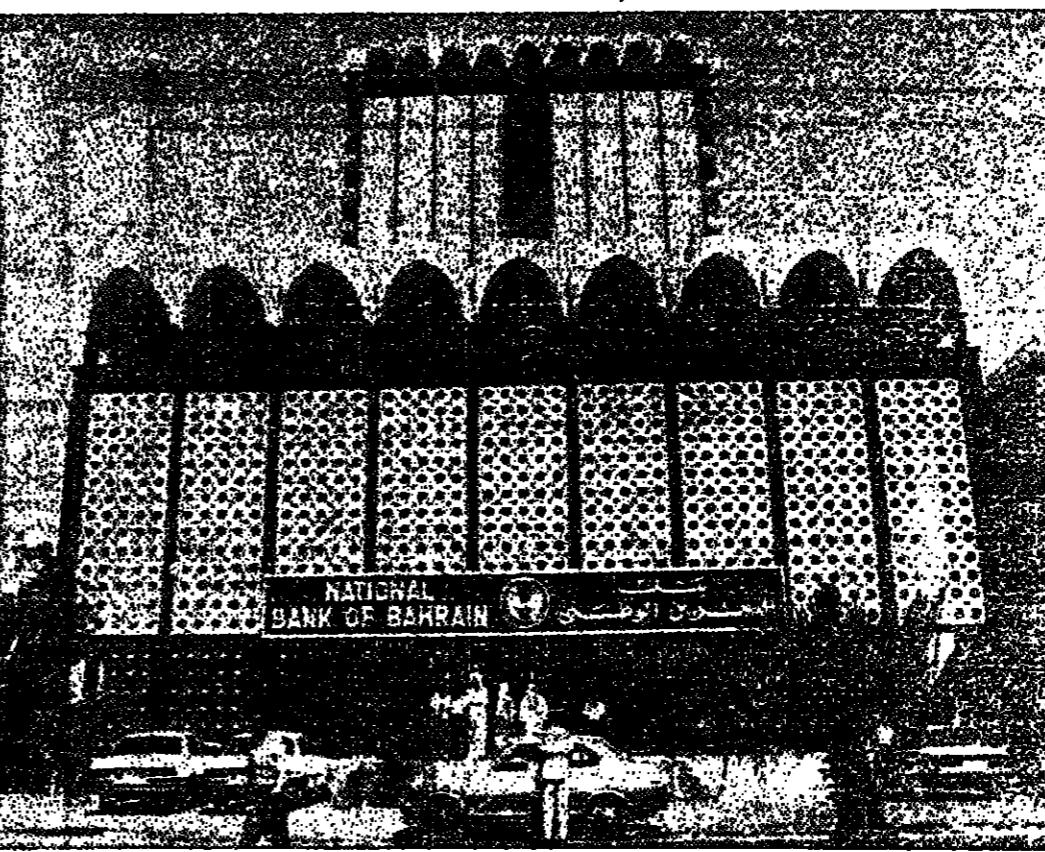
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Blue sky over jade green sea

by Penelope Turing

THERE are surprising things about Bahrain, and one of them is its beauty. A world reputation built on oil, commerce and banking does not immediately suggest visual beauty and yet the new arrival will find its pure colours most striking.

The capital cannot claim beauty of line. A number of fine modern buildings are rising at Al-Manamah and when all the work is completed it will be a handsome twentieth-century city—there is little that is old and also attractive—but at present there is too much dust and rubble, and there are too many bulldozers and cranes to make a pleasing whole. It is the natural setting which takes the eye and imagination.

In the bright clear sun-shine of a winter day there are few places in the world which can compare with Bahrain's vivid blues of sky, transparent jade green sea and golden sand. Where irrigation has converted trees and flowers from the dry soil it is easy to understand that this little group of islands was one of the claimants to have been at least a suburb of the Garden of Eden.

Pearling was its ancient industry, and the first reference to pearls is believed to be an Assyrian inscription of 2,000 B.C. Until the early 1930s pearl fishing remained the chief trade, and one can still see a few of the traditional pearling dhows. They can be hired for fishing expeditions.

Romance is almost forgotten in the bustle of modern life, but Bahrain is a pleasant place. It is not and is never likely to become as

international tourist resort—and new hotels are now being built.

The vital thing is to make hotel reservations well in advance—your weeks if possible. British Airways has a hotel reservation service and is ready to help; it has a good record in booking in parties such as trade groups, but again it needs as much time as possible.

Apart from the uncomfortably hot and humid months from July to September the climate is good and healthy.

The Delmon Hotel is best placed for most business visitors as it is in the centre of Al-Manamah's commercial and banking district. It is well run and equipped with pleasant rooms, swimming pool, good food, courteous and generally efficient staff.

The Bahrainis are cheerful, humorous and provided that Westerners understand and honour their strict codes of courtesy and hospitality, very friendly.

Hotels among world's most expensive

With an economy based entirely on international services, Bahrain is geared to a constant stream of professional visitors. This means that the services provided—such as accommodation and food—are generally of excellent standard and costly. Bahrain has the dubious honour of being one of the most expensive places in the world. There is little or no middle-priced accommodation as in European cities.

Hotel accommodation has for some time been a problem and an embarrassment because there is simply not enough of it, and double bookings and other shocks occur from time to time. However the situation is not so bad as it is often painted,

Charges are more or less the same at all three hotels with the maximum price for a room about £45.

Standards of cuisine and service in the hotel restaurants compare well with Europe. The Delmon's supper room, El Leilah, is a pleasant place to entertain, and the Hilton's buffet lunch is attractive to eye and palate. Much of Bahrain's business entertaining is done in restaurants and bars.

Popular restaurants are

Keith's and Sasha's. Most restaurants provide music in the evenings—if you want to talk over your meal eat well before 11 pm. Bahrain has no nightclubs but there are bars and the hotels have discotheques.

Work starts early with most offices opening at 8 am. Shops stay open from 8 am to 1.30 pm and 3.30 to 6.30. Banking hours are 7.30 am to 12.30 pm Saturday to Wednesday, and 7.30 to 11 on Thursday. All are closed on Friday.

There are various special services for businessmen such as the Arabic-English-Arabic translation service operated by a public relations company. It publishes regular English translations of local press reports and the Official Gazette.

Behind and beyond the modern facade there is still much of Bahrain's ancient history to be explored. Large areas of the main island are dotted with prehistoric grave mounds. There is the ruined Bahrain fort built by the Portuguese in 1600 AD, and the Sun al-Khalisa Mosque is the oldest in the Gulf. Craftsmen-potters, weavers and boat builders can still be seen at their traditional work, and there is an excellent museum near the airport which shows the whole saga of the island's history.

Tours to visit historic places and see their inhabitants are organized by Bahrain Explored and can be booked through Thomas Cook.

British Airways have 13 flights between London and Bahrain. Normal flying time is six to seven hours with Concorde four and a quarter hours. Return fares: Concorde £842; normal first class £752, economy £514.

Evening entertainment is provided by the Bahrain National Dance Troupe, the Bahraini Folklore Ensemble, the Bahraini National Orchestra and the Bahraini National Ballet.

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Warning sign flashes for oil

by Roger Vielvoye

only big corporation involved.

Gulf had carried out its own survey of the island and was keen to begin exploration drilling but was thwarted by being a signatory to the "red line agreement" which was designed to eliminate competition among the oil companies in the Middle East.

Output is now about 65,000 barrels a day—one of the lowest in the Middle East—and is kept at that modest level only by the use of expensive secondary and tertiary methods of production.

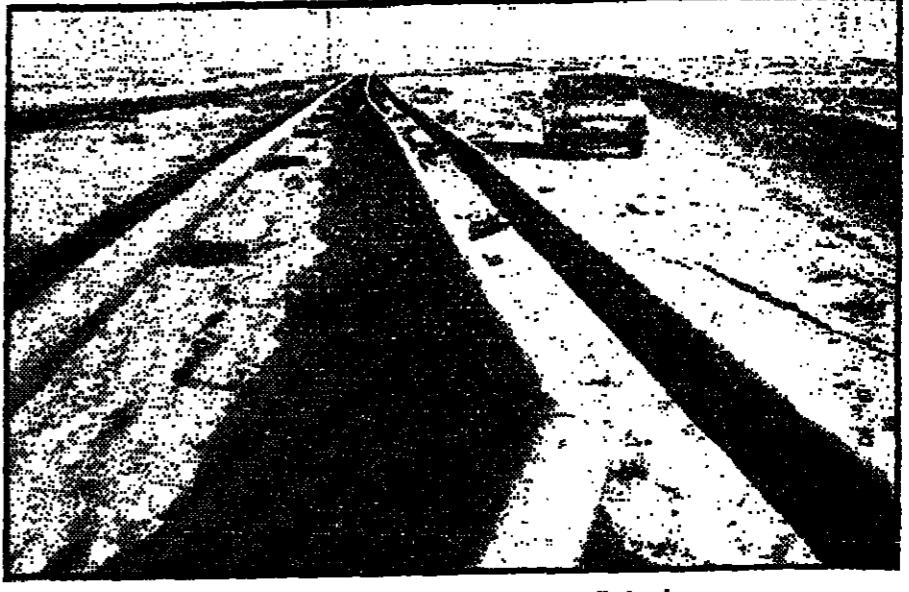
But there should be sufficient reserves to prevent the decline from becoming steep over the next few years, although in the longer term—probably starting in the 1980s—production will begin to shrink more rapidly. It is not expected that any significant new reserves will be found.

Bahrain's oil industry provides an example of the way in which the international oil group that opened up the Middle East tried to ensure that they were not beaten by their non-British partners. These included Anglo-Iranian (later to become British Petroleum), Shell, Burmah, and Standard Oil of New Jersey (now the Exxon Corporation). All passed over the chance to buy into the concession, leaving Gulf as the

first to become the Iraq Petroleum Company (IPC) decided to give Gulf permission for development or to buy the Bahrain Concession, say the American company looked outside the red-line signatories for a buyer and found the Standard Oil Company of California.

Even then the secret deals that dominated the early days of the Middle East oil industry held up the sale. Gulf quickly discovered that Bahrain had an agreement with Britain which prohibited a non-British company from exploiting any oil reserves. To surmount this difficulty Standard Oil established a small oil refinery.

Refining has grown to be one of the main industries and the Basco plant has the capacity to handle 250,000 barrels a day, the bulk of



The 34-mile pipeline from Damman stretches across Bahrain.

seven months it had struck which is piped from Saudi Arabia. The refinery is still exclusively in the hands of Basco, although the Government has belatedly followed the example of its neighbours by establishing a state oil company and taking a controlling interest in national oil production facilities.

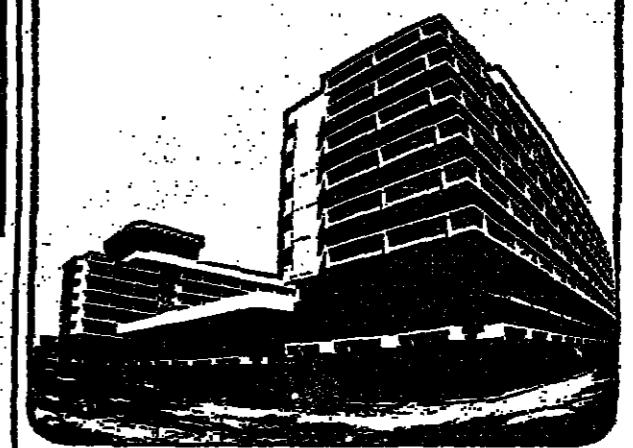
Natural gas from local fields is also used to fuel the aluminium refinery. The deep Kurnood gas reserves were discovered in 1971 and are conservatively estimated to contain between 6,000,000 and 10,000,000 cu ft of gas. The field which is producing gas from below 10,000 ft is at present yielding 300 million cu ft a day. The smelter is the largest customer but a sizable portion is also reinjected into the oilfield to assist production. Gas is also used to fuel power and desalination plants.

Natural gas fuels local industry

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Readers have to settle for a chapter

by Patrick O'Leary

bring some of the reference material up to date.

The *Gulf Handbook* (Trade and Travel Publications) includes a smoothly-written précis of the history and prehistory of Bahrain. It also has a handy monthly diary of the principal events in the year preceding publication. This includes information about big investment schemes and the award of important contracts.

Apart from more conventional topics, there are chapters on Arab horses and the country's stamps. Another offers advice on gardening in a climate where the annual rainfall is only about three inches.

She has some perceptive advice for businessmen hoping to break into Gulf markets. Her references to Australian imports is a reminder that Bahrain looks East as well as West for trade links. For the benefit of bachelors, Christine Osborne points out that the social life of Al-Manamah is enlivened by the air bases based at Al-Muharraq airport.

Welcome to Bahrain by James Belgrave (the August Press, Al-Manamah) is a sympathetic, comprehensive account of the country. It has run through nine editions in 25 years, and been translated into Arabic. Unfortunately, it was last re-issued in 1975, and a new edition would be useful to

a number of other annual publications do their best to keep up with a fast-changing scene. Since all cover several countries, none quite qualify as the kind of

volume you can slip in your pocket. The *Gulf Handbook* (Trade and Travel Publications) includes a smoothly-written précis of the history and prehistory of Bahrain. It also has a handy monthly diary of the principal events in the year preceding publication. This includes information about big investment schemes and the award of important contracts.

In *Gulf Guide and Diary* (Middle East Review Company) current developments in the country and future prospects are compressed into a few pages. For example, it suggests that service firms may be built as an alternative to firms opening offices or taking hotel rooms for resident staff. This is a looseleaf publication, so you can detach the country or countries you want to save space in your briefcase.

Finally, *Arab Countries Handbook for the Businessman and Traveller* (Athens) contains information as diverse as the fact that Prince Salman has a free transit zone for manufacturers, and the statistic that Gulf shrimps come third only to oil and aluminium in the list of Bahrain's most valuable exports. It also has a guide to local prices for a haircut, a pound of coffee and other luxuries, as well as a reminder that medical and dental attention can cost perhaps £10 a visit.

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Development bond satisfies main needs

by Ann Fyfe

Attracting foreign exchange and generating employment for Bahrainis are the two factors governing finance policy. Both budget and visible trade balance are in deficit, though to a small amount, but it is politically unthinkable to cut back government spending in this country of high expectations.

That is the underlying reason for the direction which the search for diversified revenue sources has taken—the direction of welcoming foreigners in large numbers.

Total state revenue is shown in the 1977 budget as BD235m (about £335m) of which oil provides BD150m. Oil output declined in 1976 compared with the previous year and will continue to fall consistently. Spending, on the other hand, rose to BD249m and it must be assumed that for political reasons government spending cannot be reduced significantly in the near future.

The need therefore is for sources of revenue other than oil and aid. The latter added up to slightly less than BD41m in 1977, mostly from the neighbouring OAPEC states of Saudi Arabia, Kuwait and the United Arab Emirates. Bahrain's proximity to these states has to be borne in mind in an evaluation of the island's economic prospects.

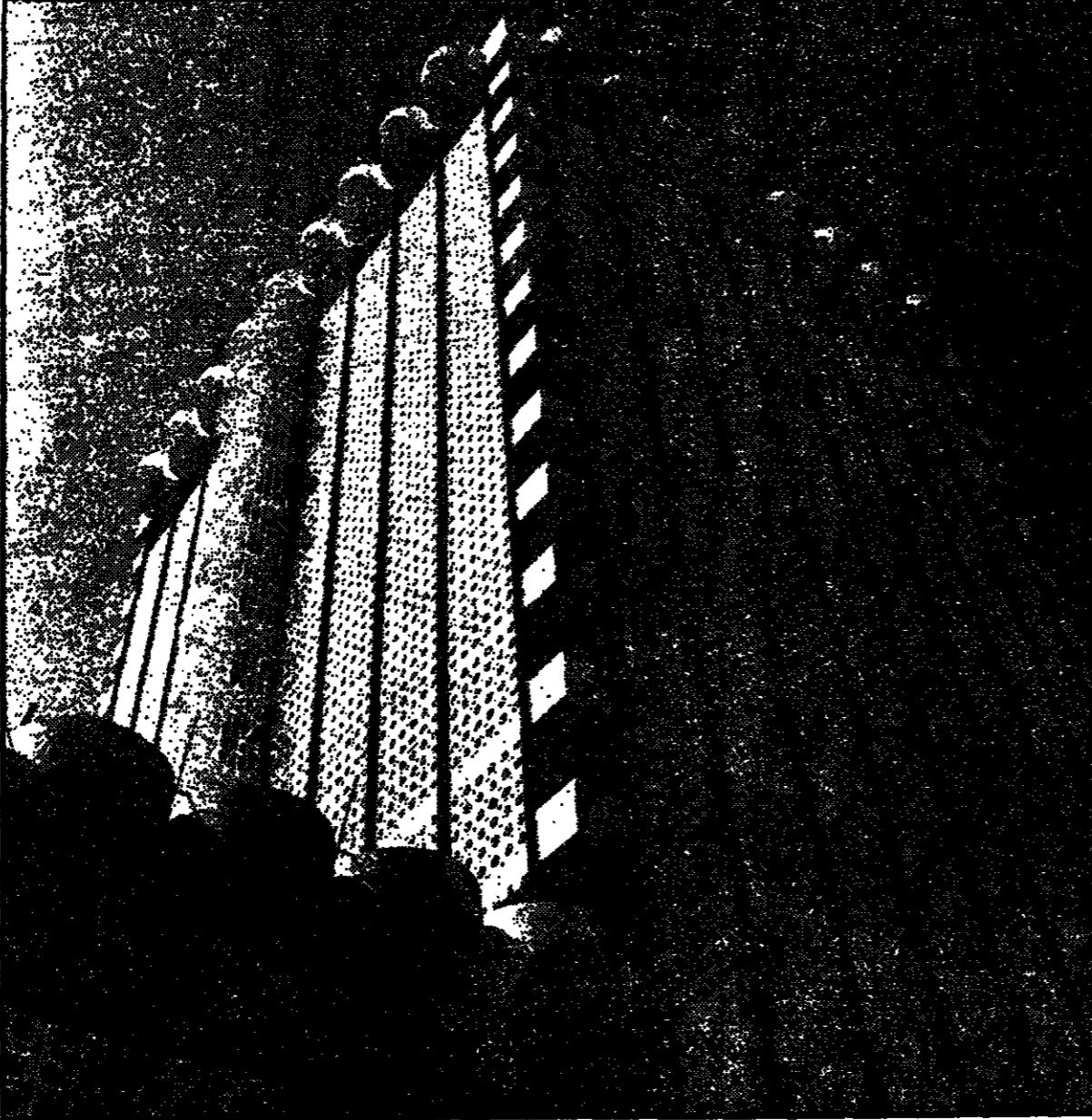
Bahrain's first development bond, issued in the summer, satisfied three main needs. First and foremost it raised money for development projects, but it also supplied a safe investment for the embryonic institutional investors—the private and the new state pension and insurance funds—which have grown up in the past two years. Third, it absorbed liquidity and helped to curb inflation.

Total money supply grew at a rate of 65 per cent in 1976 and, although the upward curve of government spending had already been arrested as more projects reached completion, bank lending was still expanding.

The rate of growth in money supply this year has been about 30 per cent. Because of over subscription, the original bond issue of BD10m was raised to BD14m and was still oversubscribed.

The five-year bond will be fully payable by banks and by the Bahrain Monetary Agency and its 8 per cent coupon, if compared with the 8½ per cent required of borrowers in the four recent dinar commercial bond issues, is an indication of the Government's credit rating.

Attracting foreign exchange is the motive behind most of the state's general policy of encouraging large foreign companies and, particularly offshore banking and, under a recent ministerial decree, offshore companies of other kinds as well. Mr Alan Moore, Bahrain's monetary adviser, estimates that the offshore banking units (OBUs), which numbered 32 with assets of \$13,200m by August this year, earned about \$25m in 1976, before floated in 1977, two for have now been introduced



The National Bank of Bahrain, one of the modern buildings dominating the business quarter.

all the licences had been taken up.

He also estimates that when all licensed OBUs are fully operational their foreign exchange contribution will rise to \$40m in 1977, and about \$50m thereafter, enough to cover the resultant foreign exchange earnings both the bonds and the merchant banking licences will bolster the size and reputation of the island in the quarters of 1977.

These foreign exchange calculations refer to expansion in Bahrain, but of the banks and their staff. Mr Moore calculates in addition that the banking sectors as a whole comprises about 10,000 jobs divided equally between the onshore and offshore banks and that of these 80 per cent are filled by Bahraini nationals onshore and about 50 per cent offshore.

Expatriate staff, on the other hand, return their sayings to their home countries: this sizable debt on the invisible account perhaps being balanced by inflows of private capital from neighbouring countries in the form of property investment and the like.

Similarly, recent ventures into bond issuing for overseas borrowers and the still more recent invitation to merchant banks to open in Bahrain have as their aim the attraction of foreign exchange. Four dinar-denominated bonds have been issued in August this year, totalling BD26m. Changes, mostly increases about \$25m in 1976, before floated in 1977, two for have now been introduced

Mexico, one each for the Philippines and for the in the registration fee system and this heading can be expected to show substantial increases in subsequent budgets.

It is not envisaged that Bahrain will become a major capital exporter but over and above the resultant foreign exchange earnings both the bonds and the merchant banking licences will bolster the size and reputation of the island in the quarters of 1977.

Meanwhile, the main chapter under this heading is customs duties and port fees which brought in more than BD19m in this fiscal year.

Two large projects in the service sector are looked on as the large-scale foreign exchange earners of the 1980s and large employment in the case of the Saudi Arabia, which will boost the let-lending. There is no figure for the Bahrain gross domestic product.

the price paid for Saudi Arabian crude (which makes up four fifths of throughput) and the export price of the refined oil.

Further investment in heavy industry is unlikely because of demographic and financial considerations. The private manufacturing sector is small—accounting for a declining share of bank lending. There is no figure for the Bahrain gross domestic product.

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Foreign trading companies must by law have local partners

Opportunities for members of the professions and for businesses in general derive from Bahrain's position as a service centre for the Arabian peninsula as well as from its own internal market for goods and services. This is how Bahrain, with its superior facilities and easy acceptance of Western life styles, wishes to be regarded and great efforts in recent years have gone into the creation of an efficient business milieu.

If there is a drawback, it is that Bahrain is very expensive. High prices and rents in particular are one of the most immediate means by which wealth is transferred from the expatriate business to the Bahraini community.

To establish a trading company, the foreign businessman must by law have a Bahraini partner whose shareholding must be no less than 51 per cent. Other types of enterprise, such as contractors, need only a Bahraini sponsor who may or may not be in the equity, but the Government is believed to be thinking along the lines that the local partner's involvement, and thus his responsibility, should be greater than simply arranging the visas. Recent bankruptcies have reinforced this point of view.

Lawyers need a Bahraini associate but accountants do not, the latter are required only to have a sponsor but many of them do choose to enter into some form of relationship with a Bahraini man's first port of call should be the Companies Registration Office for negotiations on his registration

of these regulations, depending basically on how highly the Government values the particular business's presence on the island.

The Ministry of Commerce gives the impression at the moment that insurance companies would be welcome, while there are more than enough architects. Mr Hassan Nusuf Under-Secretary for Commerce explains that it is a professional concern it is well known and highly reputable.

Work permits and other pieces of vital paper are not difficult to get for foreigners at present. The theory is that the skill in question should be scarce on the island. But these and all other dealings with government offices are done consuming.

Bahrain has not been affected by the backlash against foreigners which is affecting its neighbours but the Bahrainis are not in a minority in their own country. Foreigners represent only about 20 per cent of the total population and there is a common awareness of the benefits of cosmopolitanism. To remain popular however, a company must fit in a reasonable amount of its staff, attracting locally as well as its purchasing and, where applicable, its recruiting.

Offshore companies, defined as those whose transactions are largely external to Bahrain, are under a recent interpretation of a Companies Act clause to be exempted from all local partnership rules whatever their sphere of activity. The minimum of a BD2,500 annual registration fee. Steps will be taken to ensure that the offshore offices are properly run with staff and accounting in Bahrain rather than a brass plate only. The aim of the exercise is to encourage foreign exchange business to Bahrain, not to turn the island into a tax haven.

Because the legal position is not right, the business man's first port of call should be the Companies Registration Office for negotiations on his registration

A. F.

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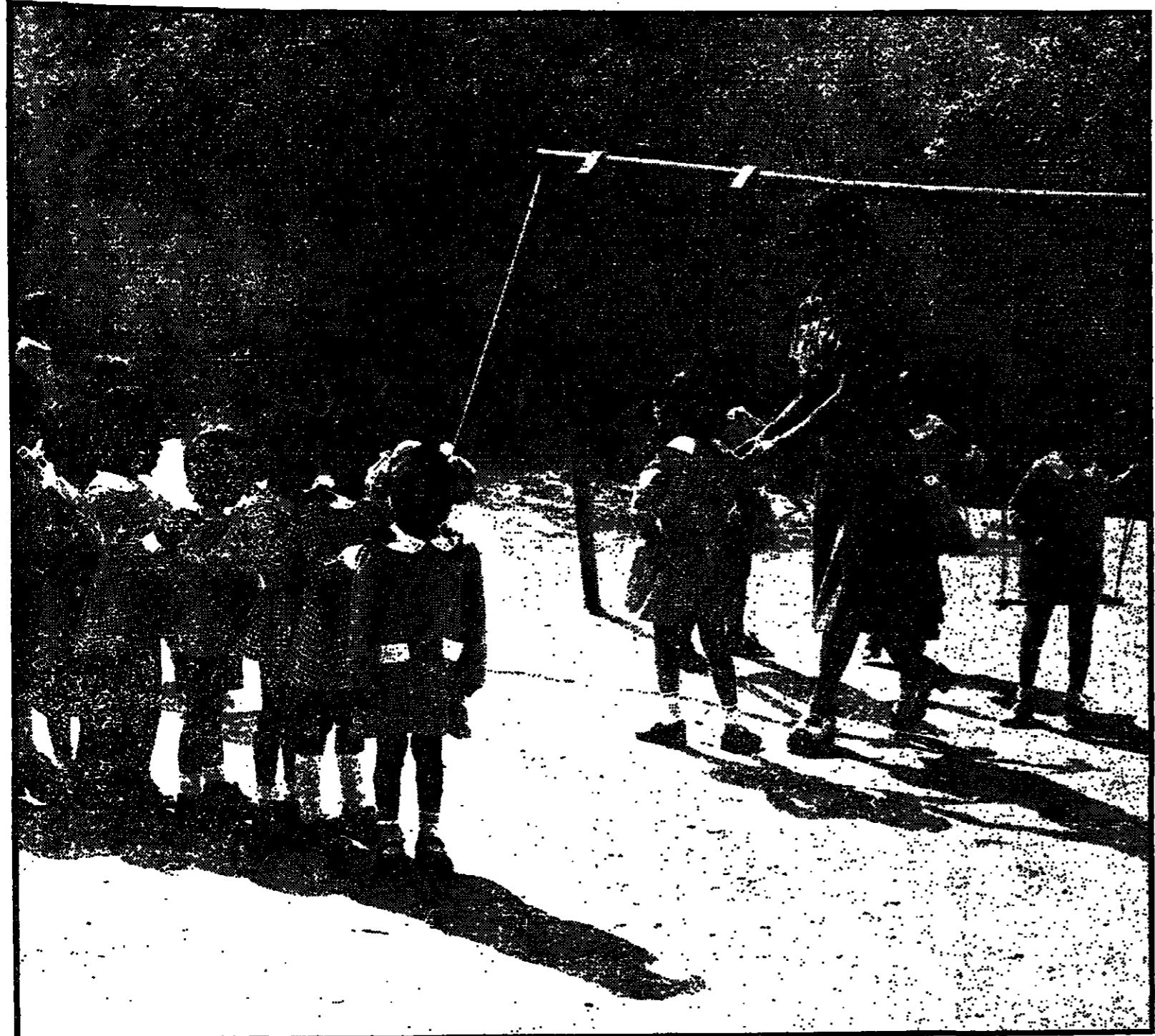
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Great care is being taken to support the welfare of one of the country's precious resources, its youth, with the proceeds of the other, oil. Left: a nursery school run by a women's association. Right: a class at a Roman Catholic school in Bahrain.



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Refinements for the sport of emirs

by Patrick O'Leary

In about a year's time a day at the races in Bahrain will include such refinements as a modern stand, closed circuit television, photo finish equipment, and a twin grass track. A dramatic view of an escarpment will remind visitors they are not in England but in the heart of a Gulf country.

The island's Equestrian and Horse Racing Club was formed more than 50 years ago. In the past meetings have been held at Muhamraq and in Al-Manamah. At present races between Arab horses, and sometimes camels, take place on a sandy track at Saifra, some miles from the new site.

Advice about the project has been given by Britain's Jockey Club, and other countries have been consulted. A delegation from the supreme council of the Equestrian Club spent 12 days in Australia last month.

On his return Mr Sharaf Ahmed Al-Alawi, director-general of the club, said: "There will be two tracks, each 20 metres wide, because racing will take place each week in winter."

"The course will be one and a half miles round, with a six-furlong straight, and will have 500 stables. It will have a show jumping course, riding school and polo pitches; the complex will also include an 18-hole golf course. It will be open to family membership."

Mr Al-Alawi said the cost of the whole project was likely to be about \$5.5m. The races would be for Arab-bred horses, which are noted for long distance running, whereas the English thoroughbred is generally rated best over distances of five furlongs to two miles.

Mr Al-Alawi said: "There may be invitation races for British and Australian horses, but not against Arab horses. India has both Arab and English racing, and some very beautiful racecourses. I think Bombay is the best."

British contractors and architects are participating in the project. The site is subject to strong winds, the highest recorded being 100 mph, so tests were carried out on a model of the racecourse stand at Britain's Building Research Establishment.

Mr Stuart Mohsby, resident architect, said he carried out a survey. The results are in the computer now, and we hope to have the report soon."

The general secretary went on: "I am also a car-

wealthy sheikhs will take a direct interest in English racing.

Bahrainis like to show off their falcons, and it is not unusual to see a hooded bird carried through the streets of Al-Manamah on the padded arm of its keeper. Most prized are goshawks from Iran, and the Greenland falcon, which is pure white, apart from jet black tips to its feathers.

Strangely, these birds of prey are sensitive and difficult to rear. A British firm is building a specially designed house for them in mid-Bahrain.

Because the birds have to be protected from strong sunlight, the house has east to west windows facing only on the north wall. On the other side are glass to prevent the falcons knowing they are under scrutiny. An American expert will advise on the rearing of the birds.

Another Bahraini hunter, the saluki, retains its graceful looks but has little work to do. Packs of these dogs were used to hunt gazelle and hares, but such game is now scarce.

Camels are sometimes ridden for sport. But they are not used as pack carriers in the island, a role left to donkeys when they have not been superseded by road vehicles.

For the Bahraini boy, the king of sports is football. Wherever there is an empty space in towns, impromptu games are carried on. In a deserted mansion on the east coast, once the home of wealthy Persian merchants, goalposts have been installed in the great courtyard.

But Mr Essa Muhammad Al-Khalifa, general secretary of the Supreme Council for Youth and Sport, said other sports, such as handball, volleyball and swimming, were becoming popular.

Even some of the girls have taken up basketball", he added.

The council is headed by His Royal Highness Prince Ali bin Khalifa, who is chairman of the ministries concerned, for example, education and social affairs, are represented.

Bahrain is a young country, with 65 to 70 per cent of the population under 21. We are thinking of establishing youth centres for hobbies and other activities. But first we must find out what the young people need. With the help of Unicef we have

carried out a survey. The results are in the computer now, and we hope to have the report soon."

The general secretary went on: "I am also a car-

pet owner and I have



Arabs like to show off their hunting falcons, carried hooded on the padded arms of their keepers.

rain has quickly made open champion was a former sandstone course, on which players carry a little and sailing are popular. One pitch of plastic grass from yacht club, however, was left high and dry when land reclamation came between it and the water. Tennis and squash have their followers, and there is even cricket at the Bahrain Sports Club.

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